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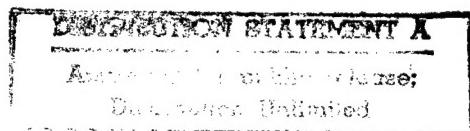
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# China Report

## ECONOMIC AFFAIRS



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14 February 1985

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ECONOMIC AFFAIRS**

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NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON COMBINING REGULATORY MECHANISMS

HK280851 Beijing GUANGMING RIBAO in Chinese 13 Jan 85 p 3

[Article by Ma Jiaju [7456 1367 7467]: "Organic Combination of Two Regulatory Mechanisms"]

[Text] Editor's note: In order to guide the study and publicity on the "Decision of the CPC Central Committee on Reform of the Economic Structure" in a more penetrating way, it is necessary to theoretically carry out more studies and explorations on the numerous issues raised in the "Decision." As of this issue, we shall start a special column, "Discussions of Questions in Socialist Commodity Economy and Law of Value," to discuss different topics. We begin today by publishing Comrade Ma Jiaju's article on the relationship between the planned economy and the law of value. In his view, the projected pattern of the reform of China's planned management system is the organic combination of imperfect direct planning mechanism and imperfect market mechanism. You are welcome to join in the discussions. During the discussions we should implement the policy of letting a hundred flowers blossom and encourage the practice of mentioning the other party by name in discussions and exchanges of views. The contributions should not exceed 3,000 characters. [End editor's note]

Viewed from the angle of political economy, the projected pattern of the reform of the planned management system laid down in the "Decision of the CPC Central Committee on Reform of the Economic Structure" can be regarded as the organic combination of two regulatory mechanisms in imperfect forms, namely, the imperfect direct planning mechanism and the imperfect market mechanism. Undoubtedly, this is the best planned management system which we have been able to discover so far and which conforms to the nature of socialist economy and is suited to China's national conditions. The institution of this system will certainly instill enormous vitality into the national economy as a whole and, at the same time, be able to exercise effective macroscopic control. It is of extremely great significance to the sound achievement of the magnificent strategic objective of the four modernizations program.

Both the market mechanism and the direct planning mechanism are different methods of realizing the universal demand for a proportionate distribution of

total social labor. The market mechanism, namely, the interrelation between market price on the one hand and the relation between supply and demand on the other in regulating the distribution of total social labor in various departments of social production, takes shape simultaneously with the emergence and development of the commodity economy. Under the capitalist system it had the widest scope to play its role and, particularly in the stage before monopoly capitalism, it was almost the only regulatory mechanism. What I referred to as direct planning mechanism, however, is another thing. The perfect form of this mechanism still exists in theory so far. It is a regulatory mechanism which, as the founder of scientific socialism envisaged, will play its role in a communist society.

As we all know, Marx and Engels originally envisaged communism, including its elementary stage, as a combination of free men on the scale of a whole society, which is set up on the basis of highly developed mass socialized production. In the combination of free men there will no longer be commodity production and circulation and the labor of each individual will be regarded and used from the start as a part of total social labor, that is, it has direct social character. The society knows not only its own needs but also the labor consumption for turning out certain quantitites of various products in order to meet these needs. For this reason, it is entirely possible to consciously distribute total social labor according to certain proportions, to formulate a comprehensive plan, to assign production tasks to various production units in accordance with the requirements of the plan, and finally to directly distribute the products to the users. The direct planning mechanism refers to such a conscious process of regulation, which includes not only the collection and sorting out of economic information and the formulation of planning but also the ways and means to achieve this plan. Moreover, because all this is determined by the socioeconomic structure of that time, it therefore has its objective necessity. Due to various understandable causes (explaining these causes is not the object of this article), there are important differences between the socialism in our practical life and the one originally envisaged by Marx and Engels. These differences also find corresponding expression in the regulatory mechanisms. But I think the perfect form of direct planning mechanism will eventually replace market mechanism altogether in the higher stage of communism. We have no reason to doubt this although it is still difficult now to predict its specific details at that time.

The important thing is never to attempt to apply mechanically the original simple concept of Marx and Engels in complex reality, still less to lump together the distant future and today. Let us leave aside the fact that in addition to the public sector of the economy, there still exists a small sector of the economy under non-public ownership (chiefly the economic sector under individual ownership) in the practical socialist society. Even viewed from the economy based on socialist ownership occupying a dominant position, the practical socialist society is not a completely united big combination. On the one hand, in differing degrees the laborers jointly own the means of production, work together, jointly possess the products, and accept their individual shares according to their work; on the other hand, these production organizations engaging in joint labor are separated from one another

in varying degrees, each in a basically independent (referring to enterprises under collective ownership) or at least relatively independent (referring to enterprises owned by the whole people) position, which makes it necessary for their production and the exchange among them to adopt the form of commodity production and commodity circulation. It is precisely because of the latter factor that the socialist economy is still a commodity economy and, at the same time, it is precisely because of the former factor that this commodity economy has a brand-new historical meaning, that is, it is different from other commodity economies in that it is a planned commodity economy based on public ownership. The dual feature of the social structure based on this practical socialist economy finds expression in the regulatory mechanisms, that is, the simultaneous existence of imperfect planning mechanism and imperfect market mechanism as well as a certain combination of the two.

The existence of imperfect market mechanism is linked with the socialist economy as a commodity economy, that is, the existence of commodity production and circulation. It is not added to the socialist economy from the outside but is something belonging to the socialist economic relations and movements themselves. The reason for its imperfect form is that the production organizations set up on the basis of the system of ownership by the whole people are, after all, enterprises with only a relatively independent status. They do not enjoy complete decisionmaking power. This cannot but restrict in one way or another the numerous links making up market mechanism, such as the price fluctuations following changes in the relation between supply and demand, the reaction of enterprises toward price fluctuations, the flow of capital in different departments, and the terms (chiefly the interest rates) for granting credit. This is a shortcoming.

On the other hand, the direct planning mechanism has begun to emerge on the basis of ownership by the whole people but it is far from becoming the only perfect mechanism by which the distribution of total social labor can be realized. The imperfection of direct planning mechanism also finds expression in both extension and intension. As far as the extension is concerned, the plan for the national economy cannot include all fields of social production and circulation. As far as the intension is concerned, even within the scope covered by the plan, we can reject neither the relationship between commodity and currency nor the market role and exercise control from top to bottom over all economic activities in material form, as we imagine a perfect direct planning mechanism will do.

The simultaneous existence of two regulatory mechanisms in imperfect form makes it necessary to combine them in a certain way in order to provide an organic regulatory mechanism for the operation of the national economy as a whole.

In a certain sense, the old planned management system we have practiced over the years can also be regarded as a combination of the two imperfect mechanisms mentioned above. However, it is chiefly an external and mechanical combination or, as it is generally called, a "block type" combination. In this combination the imperfect direct planning mechanism holds a predominant

position, leaving only a very limited leeway for the imperfect market mechanism to play its role. This has found specific expression in mandatory planning being given a leading role supplemented at the same time by the free production and circulation of an extremely small quantity of commodities. In the initial period when China began its industrialization program, this system of excessive concentration played a certain positive role in giving top priority to key construction projects but it has also increasingly revealed its defects. Theoretically, the direct planning mechanism, as envisaged by Marx and Engels, would certainly be superior to the market mechanism because it imposes conscious regulation in advanced from the angle of the whole society and does not, like the market mechanism, play the role afterwards through spontaneous competition by the economically interested parties in order to maintain with great difficulty a certain balance, which is constantly upset. However, just as I said earlier, there must be a precondition for the existence of the perfect form of direct planning mechanism. Since we do not possess the social conditions for the perfect form of such a mechanism and since the transmission and processing of information and the calculation technology have not developed to such a high level as to enable the society to keep all its economic activities under conscious control, we shall not reap any benefits but, on the contrary, bring about a negative consequence if, under such circumstances, we subjectively and one-sidedly stress direct planned management and insist on acting as if we had a perfect form of direct planning mechanism. In fact, for a long time in the past, our enterprises have lacked the necessary vitality and initiative and our macroscopic regulation has also failed to satisfactorily maintain a balance in the development of the national economy. All these have much to do with the neglected role of market mechanism under the old system and the improper method of combination between the two regulatory mechanisms.

A major difference between the new planned management system we want to establish and the old system is that the former attaches due importance to the role of the imperfect market mechanism and turns its combination with the imperfect direct planning mechanism from an external and mechanical combination into an internal and organic one so that the two imperfect regulatory mechanisms play their roles in a better way and thus form an organic regulatory mechanism.

Some comrades summarize this matter in a simplified manner as the realization of planning by market mechanism. In my view, this is not a comprehensive and accurate summation. In the process of realizing a plan, it is necessary for imperfect market mechanism to play its role. However, this is by no means the only factor. Guidance planning can sufficiently prove this point, not to mention mandatory planning. Everybody knows that the fulfillment of a guidance plan cannot depart from the operation of economic leverage. This is to say, in accordance with the requirements of a plan and the relation between supply and demand in the market, the state induces and guides enterprises to make microeconomic decisions corresponding to the state's macroeconomic objective by various means, such as price adjustment (referring to planned prices, which includes both fixed and floating prices, rationally decontrolled free prices can also play an important and positive role in the economic life but they do not play their role as an economic lever in the hands of the state),

interest rates, tax rates, and profit incentives. Viewed from the angle of enterprises independently making decisions according to various relevant parameters, such as price, interest rates, and tax rates, this is a manifestation of the role of market mechanism. However, the relevant parameters are not the spontaneous results of the relation between supply and demand and of competition, they are stipulated and regulated as policy "carriers" by the state with the use of administrative means. In this sense, they are also a manifestation of the role of the imperfect planning mechanism. The mutual permeation and merger of the two bring about such as ingenious form of planned management as guidance planning. It can be said that this is the most perfect and mature form of combination between the two imperfect regulatory mechanisms.

In my view, guidance planning should gradually become the main body of the new planned management system. But we can hardly imagine that it can embrace the national economy as a whole. There are reasons for this. On the one hand, a certain portion of social production and circulation, which cannot and need not come under state planning, can be entirely submitted to regulation by market mechanism. On the other hand, due to some special causes which are also difficult to remove entirely (such as fairly serious shortages, certain imbalances which cannot be rectified in a short time, special preferential treatments that should be given to certain key construction projects, and certain unavoidable restrictions on price readjustments), the state cannot make use of profits corresponding to normal measurement to stimulate or guide certain relevant enterprises to fulfill certain tasks. It is therefore necessary to adopt some compulsory means, namely, mandatory planning (under this planning, the profit may be slightly lower but should not become a minus quantity). Thus, in the social production and circulation as a whole there are still three fields: mandatory planning, guidance planning, and spontaneous market mechanism. If this can also be regarded as a "block phenomenon," it is also by no means a "block combination." Its essence is still the organic combination of two imperfect regulatory mechanisms. However, in addition to a perfect combination of guidance planning, there are also two fringe and immature combinations. Moreover, the latter two do not exist in isolation but are extensions of the most perfect combination. In fact, mandatory planning cannot break away completely from market influence, and spontaneous market regulation cannot but be subject to some planning restrictions. There is an interrelationship between the three fields and the demarcation lines between them are not fixed either.

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NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON PLANNING, MARKET MECHANISM

HK280341 Beijing GUANGMING RIBAO in Chinese 20 Jan 85 p 3

[Article by He Wei [0149 0251] and Han Zhiguo [7281 1807 0948]: "How Should Planning Mechanism Be Integrated With Market Mechanism?--A Discussion With Comrade Ma Jiaju"]

[Text] The 13 January issue of GUANGMING RIBAO carried an article by Comrade Ma Jiaju entitled "The Organic Combination of Two Regulating Mechanisms." It is very enlightening for readers. But there are some viewpoints in the article with which we do not agree. Now we put them forth for discussion with Comrade Ma Jiaju.

Comrade Ma Jiaju holds that the pattern as a target of the reform of the planned management system calls for two kinds of regulating mechanisms in their incomplete states, or for "the organic combination of an imperfect direct planning mechanism and an imperfect mechanism." In our opinion, there is something contradictory in Comrade Ma Jiaju's arguments about the combination of these two imperfect mechanisms. In his view, a direct planning mechanism is imperfect because it involves "the relations between commodities and money, and market action." A market mechanism is imperfect because "the state resorts to administrative [word indistinct]" and "imposes regulations and readjustments." This is to say that each of the two mechanisms is imperfect because one permeates the other. Obviously, the combination of the two mechanisms as expounded by Comrade Ma Jiaju is actually a combination of two mechanisms based on an imperfect commodity economy.

In his article, Comrade Ma Jiaju pointed out: The kind of direct planning mechanism projected by Marx and Engels is a product economy planning mechanism and is based on a system of ownership by the whole people. This direct planning mechanism has come about but has not yet formed as the only regulating pattern. Thus, this means admitting that a portion of the socialist economy is product economy. He also pointed out that the market mechanism has "formed with the emergence and development of commodity economy." But in socialist society, it is not complete in form. He holds that the combination of these two imperfect mechanisms is an "internal organic combination," "the two permeating and merging into each other." Then, what kind of economy is it with the two combined in the socialist economy? If it is commodity

economy, then a direct planning mechanism is not likely to be generated. If it is product economy, then a market mechanism is not likely to be engendered. According to logic, this can only be described as an imperfect commodity economy. The combination of two regulating mechanisms on such an economic basis is an imperfect combination. This can also find expression in Comrade Ma Jiaju's assessments of our country's original planned management system and the targeted pattern of the new planned management system devised by him. In Comrade Ma Jiaju's view, the main defect of our country's original planned management system lies in "an imperfect direct planning mechanism occupying a predominant position, leaving very limited room for the operation of the imperfect market mechanism." "This especially finds concrete expression in the emphasis on mandatory plans, with the free production and circulation of an extremely small number of commodities considered as something supplementary. Therefore, the reform of the original planned management system calls for narrowing the scope of mandatory plans," and "attaching proper importance to the role of the imperfect market mechanism." Meanwhile, these two regulating mechanisms must be organically combined to shape up into three sectors involving mandatory plans, guidance plans, and spontaneous market regulation. In our opinion, such a way of analyzing and understanding problems leaves something to be desired. True, an important part of the current reform of the planned management system calls for gradually narrowing the scope of mandatory plans and enlarging the scope of guidance plans in light of the objective realities of the development of our economy, and for giving full play at the same time to the positive role of market regulation in social production and circulation. But just doing this is far from enough. We must take note that our original planned management system was basically established in line with the theory of direct planning put forth by Marx. It is a pattern of a product economy planned management system. The main defect of this planned management system lies in its attempt to leap over the stage of social development of commodity economy and to negate the role of an enterprise as a socialist commodity producer or operator working on his own with responsibility for profits and losses, and to include all social commodity production and circulation in product economy mandatory plans. Therefore, in reforming the original planned management system and establishing a new planned management system, we can in no way content ourselves with darning and mending where the original planned management system is concerned. Nor can we just readjust various planned management patterns in scope and in proportion on the basis of the original planned management system--enlarging this portion or shrinking that portion. Instead, we should subject the original planned management system to a fundamental reform and shift the whole basis for state planning from product economy to commodity economy. If we do not analyze and understand problems in this way and if we, on the one hand, recognize socialist economy as commodity economy or an enterprise as a commodity producer operating on his own with responsibility for profits and losses and, on the other hand, still use the original mandatory plans based on product economy to organize social production and circulation, then we cannot guarantee the normal progress of social production and circulation. Nor can we really carry out the commodity economy principle of equality and mutual benefit and exchange of equal values on a compensatory basis in social economic activity. Nor can

we give full play to the role of the law of value. Thus, enterprises cannot become relatively independent commodity producers. It is also naturally impossible for an enterprise to operate on its own with responsibility for its own profits and losses. This is the very area where we are fundamentally in disagreement with Comrade Ma Jiaju.

We understand that the organic combination of the planning mechanism with the market mechanism advocated by Comrade Ma Jiaju only calls for readjusting mandatory plans and market regulation in scope and in proportion on the basis of the original planned management system and also throwing in combination as something in between these two forms of planned management, that is, guidance planning. Though Ma Jiaju also holds that mandatory plans must be subjected to market influence and spontaneous market regulation must also be subjected to the restraints of plans, yet he does not fundamentally negate the theoretical basis for the original planned management system. Thus, the mandatory plans mentioned by him are still product economy mandatory plans. They are at most subject to market "influence" and are not mandatory plans based on commodity economy. The combination of the planning mechanism and the market mechanism he calls is still a combination of product economy and commodity economy and represents only a given part combining two mechanisms. This combination, in the final analysis, is still a combination of the "block" type. The only thing that sets it apart from the previous "block" type is that a part is inserted in between two blocks allowing mutual permeation. Its theoretical basis is still the long popular theory of "two elements" (the "product economy element" and the "commodity economy element") in the socialist economy. This represents such ideas as that labor consists of both direct social labor and also indirect social labor, that the results of labor are both product and commodity, that economic management combines planned management and market regulation, and so on and so forth. The development of the socialist economy is regarded as a process of the waxing and waning of the "two elements" of product economy and commodity economy.

In our opinion, since the establishment of the socialist economy on the basis of public ownership of the means of production, the planning mechanism and the market mechanism have been as well blended as milk and water. A fundamental prerequisite here calls for a correct understanding of the socialist economy at its current stage. This is to say that we must clearly understand that socialist economy is commodity economy. This is a complete commodity economy and not partial commodity economy. The products turned out by all society are commodities and are not partially commodities. In the stage of economic development, all social labor cannot possibly become direct social labor. Therefore, the planning mechanism also cannot possibly be the product economy direct planning mechanism projected by Marx and Engels and must naturally be the commodity economy planning mechanism. Thus, the problem of what is complete or incomplete does not exist. Socialist commodities are not left over from an old society and are determined by the existing level of development of productivity. On the basis of the socialist system of public ownership of the means of production, various economic units are still distinguished as "you" and "I" and lay claim to their own economic interests. Thus, their joint labor still cannot find direct expression in social labor and can become social labor only through the exchange of commodities.

This calls for the existence of commodities. Given a commodity economy, planning as a regulating factor calls for ultimately regulating the contradictions between value and use value and thus bringing about balanced development of the national economy as a whole. The aims of socialist production at the present stage are realized through commodities. Therefore, we cannot just pay attention to use value and neglect value. The contradictions between social production and social needs also find expression in use value and value. Use value gives expression to the level of development of productivity. Value shows social demand with the capacity for payment. Only by continuously solving and regulating contradictions in this respect can state plans guarantee the proportionate development of the national economy. Therefore, give a socialist commodity economy, the planning mechanism and the market mechanism must naturally be a case of "your having part of me in you" and "my having part of you in me." On the one hand, the target of state plans is commodity production and circulation and not product production and circulation. The development of commodity economy comes under the arrangements and guidance of state plans. On the other hand, state plans must also give full expression to the objective demands of the law of value and materialize in the operation of contradictions in commodity economy. Therefore, we hold that given socialism, mandatory plans or guidance plans must be established on the basis of commodity economy and cannot be a case of one being based on product economy and one on commodity economy.

Here, the main problem is how mandatory plans apply the law of value. As mentioned above, the traditional concept of mandatory plans is based on product economy. Therefore, we must subject it to a fundamental reform and really put it on the basis of commodity economy. To achieve this end calls for efforts in all fields. One of the important things that we should do is that products under mandatory plans and those under guidance plans must be made to follow similar price levels. Given commodity economy, state plans must be based on the law of value. Mandatory plans or guidance plans should all be treated the same. In the realities of economic life, the role of the law of value finds expression, to a very large degree, in prices. Therefore, in respecting and applying the law of value in planned management, we must follow the commodity economy-related principles of equality and mutual benefit and equal values on a compensatory basis, so that products under mandatory plans and those under guidance plans can agree in price. This is to say that the difference between mandatory plans and guidance plans should not be a matter of price and should only be a matter of materials. This is because mandatory plans call for concrete materials. This is because mandatory plans call for concrete materials-related targets and also commit the state and enterprises to carrying out and realizing these targets. Guidance plans only stipulate the direction of development and involve no concrete materials-related targets. If products under mandatory plans can only follow fixed price levels, and only products under guidance plans can find their own floating price levels, as by standards based on the traditional concept, then actually this means negating an equal basis for commodity prices and doing something against the full development of the role of the law of value. Moreover, if products under mandatory plans and products under guidance plans follow two different price levels, then people in a given enterprise

must inevitably pursue two different goals. One is to fulfill mandatory plans for products. Another is to produce the largest possible supply of products under guidance plans. But because the upper limits of floating prices are all higher than fixed prices, enterprises must naturally show a willingness to accept guidance plans and an unwillingness to accept mandatory plans. It will thus be difficult to change the long existing situation in economic life, in which those products produced for self-distribution are complete in variety and those under mandatory plans fall short of market needs. Especially given a switchover from profits to taxes, with enterprises held fully responsible for profits and losses and competition in full swing, this will naturally be all the more difficult. Therefore, the target of the pricing reform should enable products under mandatory plans and products under guidance plans to follow the same price levels and allow our attention to be chiefly devoted to the matter of floating prices. The margin fixed for floating price fluctuation should not only reflect the value of commodities but also give expression to the relations between supply and demand. It also calls for timely readjustment in light of the realities of economic development, thus combining unity and flexibility in plans and allowing the establishment of a flexible planned management system.

CSO: 4006/333

NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON REFORM, LEARNING FROM CAPITALISM

HK280200 Beijing GUANGMING RIBAO in Chinese 21 Jan 85 p 3

[Article by Yu Haocheng [0060 3185 2052]: "Three Questions on Reforms--Studying 'Decision of the CPC Central Committee on Reform of the Economic Structure'"--passages within slantlines published in boldface]

[Text] The 3d Plenary Session of the 12th CPC Central Committee has earnestly summarized the historical experience of China and other countries and put forward a magnificent program for the comprehensive reform of our economic structure. From the "Decision of the CPC Central Committee on Reform of the Economic Structure," which is an important historic document, we can see that our party has greatly improved and deepened its understanding of socialism. This shows that socialism has triumphed and greatly developed in our country. This will produce a great impact on the whole world.

The following is what I have gained from studying the "Decision:"

1. /Revolution and Reform./ In the course of discussion, some comrades called the reform of the economic structure a revolution. In my opinion, in the sense that it has reformed those things and links in the superstructure and production relations which are not in consonance with the development of the productive forces, emancipated the productive forces, and given immense impetus to social progress, the reform can certainly be called a revolution, or even a profound revolution. It should be pointed out, however, that we refer to the reform as a revolution only metaphorically. Like the technological and educational revolutions, it does not belong to the kind of revolutions that overthrow old regimes. Thus, the reform is in fact the socialist system's self-perfection. It is not "overthrowing one class by another." It is also not a revolution aimed at ending somebody's mandate or transforming the basic system. It is, on the premise that the basic socialist system will be adhered to, to reform some specific systems in order to arouse the people's socialist enthusiasm, initiative, and creativeness because these systems have prevented the productive forces and the laborer's enthusiasm from developing. This reform is not to bring violent shocks to the country and social life, nor to disrupt the productive forces. It is to be carried out in an orderly and step-by-step manner under the leadership of the party and the state. As pointed out in the "Decision:" "It should serve to advance, and not to impair, social stability, expansion of production, improvement of people's living standards, and the growth of state revenue."

It should be pointed out that the reform of the urban economic structure is far more complicated than the rural reforms. A slight move in one part always affect the situation as a whole. Thus, we should emphasize the need to carry out the reform in a guided, planned, orderly, and step-by-step manner. We must not carry it out carelessly. We should quicken the pace of the establishment of a legal system. As for those laws, regulations, and systems which are not in consonance with the development of the productive forces, it is necessary to boldly abolish them or amend them or to replace them with new laws, regulations, and systems. It is necessary to speedily put an end to "those practices and regulations which are reasonable but illegal." All reform measures must be executed within the bounds prescribed by the laws and the Constitution. If certain articles of the laws in force are at variance with the requirements of the reform, we should consider whether or not these laws should be duly amended or supplemented.

2. /System and Structure./ The socialist system as a whole is different from the series of specific systems serving it. The socialist system as a whole is infinitely superior to the capitalist and feudal systems. However, the specific systems and the structure formed by these specific systems have their weaknesses and can be not in consonance with the development of social productive forces. It is greatly significant to clearly separate the two (system and structure). The ability to separate the two is a result of the emancipation of thinking. In the past we frequently confused the two. On hearing people discussing the weaknesses of our economic structure and the problems given rise by it, we immediately accused them of doubting and resenting socialism and wavering. We might even accuse them of "criticizing and vilifying socialism," "vainly attempting to revive capitalism," and so on. Actually, we had fettered our minds and imposed restrictions on ourselves. Now, on the basis of the principle of seeking truth from facts, we should point out that as a whole, the socialist system is incomparably superior. However, some of its specific links and its economic structure and political structure have weaknesses, or even serious weaknesses. They must be reformed. We can free our actions and thinking from restrictions by reforming them.

Now, it seems possible to solve, by drawing on past experience, the problem of the protracted debate among jurists on the cause of crime. In the past there was a popular but actually untenable theory of the cause of crime: Speaking on the phenomenon of crime in capitalist countries, people always attributed its cause to social factors. However, speaking on the phenomenon of crime in China, people tended to attribute its cause to people's personal character. It seemed that our socialist system was perfect and faultless and crime was supposed to be the result of the character of certain individuals. Whoever pointed out the need to look for the cause of some crimes within society, that some problems should be [word indistinct] under the category of contradictions among people, and that such contradictions, if not properly resolved, could be intensified by such things as bureaucratic leadership, be transformed into the contradictions between ourselves and the enemy, and leave to crime would be accused of absolving the criminals from blame, advocating the idea of "committing crimes with good reason," being skeptical

about the socialist system, vilifying socialism, and so on. This "leftist" practice of oversimplifying everything prevented us from analyzing the cause of crimes on the basis of the principle of seeking truth from facts and from earnestly improving our work. Practice and experience have told us that many contemporary problems fall under the category of contradictions among the people, but not under the category of class struggle or the category of the contradictions between ourselves and the enemy. As stated in the "CPC Central Committee's Resolution on Certain Questions in the History of the Party Since the Founding of the PRC," which was adopted at the 6th Plenary Session of the 11th CPC Central Committee: "We must correctly understand that there are diverse social contradictions in Chinese society which do not fall within the scope of class struggle and that methods other than class struggle must be used for their appropriate resolution. Otherwise, social stability and unity will be jeopardized." At present, attention to this point is of great practical significance. At a very early time, Comrade Deng Xiaoping predicted that: "The reforms in the relations of production and in the superstructure will not be easy to introduce. They touch on a wide range of issues and concern the immediate interests of large numbers of people, so they are bound to give rise to complications and problems and to meet with numerous obstacles. In the reorganization of enterprises, for example, there will be the problem of deciding who will stay on and who will leave, while in that of government departments, a good many people will be transferred to other jobs, and some may complain. And so on." (Deng Xiaoping, "Selected Works," p 142) We are required to properly handle these problems. In particular, we should be careful not to provoke crime by intensifying contradictions, not to disrupt the stable and united political situation and good social order, and not to prevent people from smoothly carrying out the reforms. Thus, it is necessary to eliminate "leftist" influence on the work of the political, judicial, and public security departments, to discard the practice of "taking class struggle as the key link," and to properly handle all problems on the basis of the principle of seeking truth from facts.

3. /Concerning the problem of emulating the advanced things in capitalist countries and dispel the "fear of capitalism."/ It is pointed out in the "Decision" that: "To bring about a radical change in the economic structure that hinders development of the forces of production, we must conscientiously sum up China's historical experience and study the concrete conditions and requirements for economic growth. In addition, we must draw on the world's advanced methods of management, including those of developed capitalist countries, that conform to the laws of modern, socialized production." That means, we can learn, and should learn, from the developed capitalist countries' advanced methods of management. This is a great breakthrough. At a very early time, Lenin said: "Marxism has won its historic significance as the ideology of the revolutionary proletariat because, far from rejecting the most valuable achievements of the bourgeois epoch, it has, on the contrary, assimilated and refashioned everything of value in the more than two thousand years of the development of human thought and culture." (Lenin, "Selected Works," vol 4, p 362) In the past we adopted the "leftist," metaphysical practice of oversimplifying everything, thought that socialism is totally antagonistic to

capitalism, and raised the naive slogan of "fostering proletarian ideology and eliminating bourgeois ideology." In this way we had negated the need analytically, selectively, and critically assimilate and learn from capitalist things. Actually, we have more to learn and inherit from capitalism than from feudalism because many things in capitalist societies are the results of a common demand for socialized mass production and the results of the progress of mankind. They have been created by the proletariat and the laboring people. In the past we viewed the advanced things produced by modern mass production in the capitalist world from the viewpoint of feudal small producers. This is incorrect. The principle that calls on us to eliminate the "leftist" ideological influence, to justly and boldly emulate the advanced capitalist things, and to resolutely eliminate and prevent all decadent and moribund capitalist things should become our firm principle.

CSO: 4006/333

NATIONAL POLICY AND ISSUES

CPC 'DECISION' DEVELOPS SCIENTIFIC SOCIALISM

HK280431 Beijing GUANGMING RIBAO in Chinese 21 Jan 85 p 3

[Article by Gao Fang [7559 2397]: "Break Down the Incorrect Existing Concepts, Develop Scientific Socialism"]

[Text] The "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure" approved by the 3d Plenary Session of the 12th CPC Central Committee is most significant in breaking down many misunderstandings and traditional fixed concepts about socialism and having creatively developed scientific socialism and deepened our understanding of scientific socialism. In what aspects has the "Decision" broken down the erroneous traditional fixed concepts and developed the theory of scientific socialism?

A Breakthrough in the Understanding of Relations of Production

Relations of production consists of four links, namely, production, distribution, exchange, and consumption. The "Decision" has made a major breakthrough in all these four aspects of socialist relations of production.

Regarding the aspect of production, the traditional fixed concept regards socialism as a kind of pure social mode with a uniformed public ownership which does not allow any other economic modes. In fact, because of the underdevelopment of the productive forces, underdeveloped socialist countries should allow individual economy to operate as a necessary and useful supplement to the socialist public-owned economy. In some sectors and trades individual economy should be vigorously developed. We should also draw in foreign capital and attract foreign businessmen and make them make a necessary and useful supplementary contribution to our socialist economy. There is another kind of fixed concept, which confuses ownership by the whole people with the practice of state organs directly managing enterprises and thus confuses superstructure with economic foundation, substitutes superstructure for economic foundation, and uses administrative methods but does not act in accordance with economic laws or adopt economic means to manage enterprises. The "Decision" upholds separating government administration from enterprise management, so the state will not directly take on and interfere in everything in managing the economy, but will switch into adopting the method of managing the economy through giving macro guidance.

The traditional fixed concept holds that socialism should restrict commodity production and pits the socialist planned economy against the commodity economy. The "Decision" points out that the socialist planned economy is precisely a planned commodity economy. This is the biggest breakthrough. After the "Critique of the Gotha Programme" was published, Marx clearly pointed out that in a socialist society there should be no commodities, currencies, or markets. In putting forth this view, Marx based himself on three factors: 1. The large number of malpractices in the commodity economy in Western European developed capitalist countries; 2. the forecast that socialist revolution would first succeed in Western European capitalist countries; and 3. the idea that the socialist revolution would succeed almost simultaneously in all developed Western European capitalist countries. This made Marx think that the planned economy in future society will be a product economy without commodities. When Lenin spoke about commodity economy and utilization of the market, he meant doing that during the transition period. After society entered socialism, Stalin held that commodities continued to exist in socialism, but were only limited to the production of consumer goods while means of production only had the "shells" of commodities and were in essence not commodities. Since the 3d Plenary Session of the 11th CPC Central Committee, there have been disputes about this question in our country's theoretical circles. Some comrades pointed out that the socialist economy had to be a planned commodity economy, but this had always been regarded as a view that did not conform to Marxism. Now the "Decision" affirmed this view; therefore, we cannot help but say that this is a major breakthrough.

In the field of distribution, the traditional fixed concept regards both pauperism and egalitarianism as socialism and regards becoming rich together as a process of becoming rich in a synchronous manner. The "Decision" criticizes both "pauperist" and "egalitarianist" socialism and expounds on the idea that becoming rich together is not a process of becoming rich in a synchronous manner. The "Decision" points out that we have to allow and encourage some areas, enterprises, and people to rely on their diligent labor to become rich first and let them bring along an increasingly larger number of people to become rich batch after batch. This idea vividly and clearly points out the socialist law of becoming rich together. People will become rich sooner or later, some slowly and some quickly. In the past, we also had a fixed concept about the wage differentials among laborers and held that the difference could not be too great. When we talked about the principles of the Paris Commune, we not only stressed that the wages of the personnel in state organs had to be not greater than those of skilled workers, but also stressed that the wage differential between the workers in the Paris Commune did not exceed five times. It seems to us now that we should give a flexible explanation to the wage principle of the Paris Commune. Since some enterprises and laborers can make a contribution 50 or 100 times greater than other enterprises and laborers, why can they not get more than 5 times the remuneration of the others? These traditional fixed concepts are detrimental to the development of production if we do not break them down. The "Decision" particularly points out that we should change the situation whereby mental laborers are excessively underpaid and give heavy rewards to those who have achieved major invention and creation. Only by so doing can we facilitate encouraging the advanced and spur the less-advanced to catch up with the advanced.

In the field of exchange, the traditional concept holds that under socialist conditions, means of production are not commodities and should be allocated by the state and that even the purchase and sale of the means of livelihood should be monopolized by the state. As a result, there are no contacts between producers and consumers, our products are unmarketable, and their designs have not changed for several decades. Because we have neglected for a long time the role of the law of value, there has been fairly great confusion in our price system, in which the prices of quite a few commodities neither reflect their value nor reflect the relations between supply and demand. This price system cannot correctly evaluate the results of production and management of our enterprises, nor can it ensure the smooth exchange of materials and goods between urban and rural areas. In the past, we regarded competition as a phenomenon specific to capitalism and negated it. The "Decision" confirms that the socialist economy is a planned commodity economy and that in the field of circulation we must also observe the principle of commodity economy and should, in particular, consciously act in accordance with and apply the law of value. The "Decision" points out that we should systematically and appropriately reduce the scope of mandatory plans and appropriately expand the scope of guidance plans. We should do the same in the field of circulation. The "Decision" confirms that the regulatory role of prices over the production and management activities of our enterprises is becoming increasingly clear; therefore, we urgently need to establish a rational price system, reform the overcentralized price management system, gradually reduce the state's power in fixing unified prices, appropriately expand the range of floating prices, increase the variety of commodities that are freely priced, and thus enable our prices to reflect the change in social labor productivity and in relations between supply and demand in our market in a relatively sensitive manner. There should be competition between our enterprises. We should let our enterprises be directly evaluated and examined by the vast number of consumers in our market and thus let the better ones win and the worst ones be eliminated through competition. All these will tremendously promote the prosperity of our socialist market.

In the field of consumption, the traditional fixed concept does not admit that consumption is a subject that socialist economics should research. This is due to a lack of an all-round understanding of Marxist theory. In his "Critique of Political Economy," and "Das Kapital," Marx said many things to expound on the idea that consumption was the aim of production and that only through consumption can the cycle of production be completed, can labor be reproduced, and can the stimulus for reproduction be created. Marx clearly said that the make-up of consumption conditions the makeup of production. The "Decision" stresses that in a sense, consumption determines production and puts forth the idea that under socialist conditions, we should appropriately increase consumption rather than restrict consumption. This is a major breakthrough in theory. Attaching importance to consumption requires us to improve the living standards of our people and to enrich the content of the socialist lifestyle. The production mode determines people's lifestyles. As socialist productive forces grow, more attention will be paid to making the socialist lifestyle civilized, scientific, and healthy and to discarding the backward, foolish, and decaying things in it. In the past, we regarded

lifestyle as synonymous with bourgeois lifestyle and criticized bourgeois lifestyle as soon as lifestyle was mentioned. Being particular about food and furniture and decoration at home under the precondition of developing production should not be regarded as bourgeois lifestyle. On the contrary, we should encourage people to improve and beautify their lives, both materially and spiritually, and give them guidance in doing that and we should make their lifestyle conform to the requirements of the development of modern productive forces and the progress of society. Lenin had a well-known formula: Socialism is equal to public ownership plus distribution according to labor. We should add something to Lenin's formula and make it read: Socialism is equal to a dominant position for the economic sector owned by the whole people plus distribution according to labor which is linked with economic results and in which a relatively large disparity is allowed, plus a planned commodity economy, plus gradual and relatively great increase in the consumption of the people.

#### A Breakthrough in the Understanding of Our Superstructure

In the sphere of the understanding of our superstructure, the "Decision" has also achieved a great development. An economic structural reform cannot help but involve problems relating to the superstructure. The "Decision" mentions the idea that separating government administration from enterprise management streamlining government organizations, and decentralizing power is a profound reform of our socialist superstructure. For a long time, in our actual life, the state was regarded as both superstructure and economic foundation, and the state directly managed enterprises. As a result, enterprises seemed to be the servants while the state seemed to be the master. Now, this relation is reversed. The enterprises and laborers are the masters while the state organs are servants. State organs are a part of the superstructure and should serve the economic foundation. This not only conforms to the Marxist theory of the state and to the requirements of the socialist system but also conforms to the objective law that governs socialist economic activities.

Developing democracy is an important spirit that permeates the whole "Decision." The "Decision" mentions many times that laborers should be made masters of their enterprises. It clearly points out that the workers have the rights of examination, discussion, supervision, evaluation, and decisionmaking. By stressing democracy and establishing the position of our laborers as masters, it means that our economic structural reform should develop along the direction of making progress simultaneously with political reform. What follows it will be all-round cultural and educational reform which will ensure that laborers will become the masters of not only their enterprises but also their society and country.

In order to enable our laborers (including mental laborers) to become masters, we must break down the old concept that discriminates against intellectuals. For a long time, there has been a dark torrent of discriminating against intellectuals in the history of the workers movement. People ranging from Wilhelm Weitling of German, Pierre J. Proudhon of France, (Alemain) [A Lei Man 7093 0441 2581] of France and (Mahayskiy) of Russia were all of the workers family background and were even worker theorists, but they did not understand

the theory of scientific socialism, had a narrow factionalist mentality and regarded intellectuals as an alien force to workers movement. History has proved that the struggle against the narrow thought that discriminates against intellectuals is a long-term arduous task for Marxists. Since the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping has specially confirmed that our country's intellectuals are a part of the working class. Intellectuals are the part of the working class which is the best educated, has the best knowledge of science and is the most able in making major inventions and creations. Attaching importance to these people is of great significance for our socialist reform and for the development of our social productive forces.

By stressing democracy in the economic reforms, we also mean that we should gradually perfect our democracy and achieve a high degree of democracy. Achieving a high degree of democracy is a key to changing and eliminating the rigid pattern of excessive centralism. A high degree of democracy should develop in the direction of a democracy for most people, a democracy at the grass roots, and a direct democracy. Conceptually, a socialist democratic system is not equal to a high degree of socialist democracy. They link with each other but differ from each other. A socialist democratic system refers to the type of democracy, while a high degree of socialist democracy refers to the degree of the development of democracy. Of course, they are related to each other, but when we are faced with the task of establishing a socialism with a high degree of democracy, pointing out their difference is of great significance. We should see that socialist democracy has to undergo a process of developing from a low grade to a high grade of democracy. Since liberation, the democracy in our country has continuously been improved and perfected and as the reform develops, it will gradually become a highly developed socialist democracy.

CSO: 4006/333

NATIONAL POLICY AND ISSUES

BRIEFS

CHINA ECONOMY PUBLISHING HOUSE--China's economy has a new press agent. The China Economy Publishing House, an arm of the State Economic Commission, officially began operation yesterday. Publisher Qi Xiangwu, also deputy director of the General Office of the State Economic Commission, told CHINA DAILY that his organization will print collections of economic documents, regulations and laws. It will also publish academic and general interest works from the economic field. Qi said that ECONOMIC WORK NEWSLETTER, a bi-weekly, in-house government magazine, will go public now. The newsletter circulates to 250,000 economic offices from highest to lowest government levels. [Text] [Beijing CHINA DAILY in English 29 Jan 85 p 2 HK]

CSO: 4020/100

PROVINCIAL AFFAIRS

SHANXI CONFERENCE ON REFORMING PLANNING SYSTEM

HK250814 Taiyuan SHANXI RIBAO in Chinese 13 Jan 85 p 1

[Report: "Major Breakthrough Has Been Made in Reform of Planning Structure of Our Province--Provincial Planning Conference Convened by Provincial Government Concludes--Reduce Mandatory Planning and Expand Guidance Planning and Regulation by Market Mechanism"]

[Text] The 1985 provincial planning conference convened by the provincial government concluded on 13 January. A notable breakthrough will be made in the reform of planning structure of our province. Mandatory planning will be reduced and guidance planning and regulation by market mechanism will be expanded.

In agriculture, not including grain, cotton, oil, tobacco and pigs, which are purchased by planned orders, production of other products are all listed under guidance planning.

Among 720 industrial products, only 102 products are still listed under mandatory planning and 129 products under guidance planning; the remainder are all changed to regulation by market mechanism. Considerable jurisdiction over examining and approving investment of fixed assets has been transferred to the lower levels. In addition, not including coal, the retention proportion of foreign exchange for products of enterprises and prefectures and cities earned through exportation has also increased considerably, which will play a great role in bringing into play the initiative of grassroots units towards opening up to the outside world.

In order to suit the reform situation of expanding guidance planning and regulation by market mechanism and to make the whole economy develop towards the goal planned by the state, the conference studied and drew up measures for strengthening the application of means of economic regulation. In addition to carrying out, according to state regulations, in an all-round way a switch from state appropriations for investment in capital construction to loans, our province will also establish the Shanxi Provincial Investment and Development Corporation, issuing share certificates in society and absorbing capital to carry out production and construction. Our province will establish a rural

development funds committee to raise funds necessary for agricultural development, and to change the gratis use of specialized funds for agricultural production and construction into the form of loans with interest. Funds in this aspect will be primarily used in developing township and town enterprises, and rural roads, electric power, and communications.

The year 1985 is the last year of the Sixth Five-Year Plan. Regarding arranging production and construction for this year, the provincial government demands that we overfulfill comprehensively every task defined in the Sixth Five-Year Plan and make a good preparation for the Seventh Five-Year Plan. The provincial government demands that the total industrial and agricultural output value increase by 7.4 percent over last year, of which the total industrial output value increases by 8 percent and the total agricultural output value increases by 6 percent. Regarding capital construction, on the premise of continuously centering efforts on the construction of bases of energy resources, heavy industry and chemical industry and ensuring key engineering projects and the continuation of nearly finished projects, our province has increased investment in cultural and educational construction and housing. At the same time, the conference also especially arranged the initial preparatory work for investment in capital construction projects and strengthened the planning for building infrastructure used for opening to the outside world in an effort to improve the conditions for opening to the outside world in our province.

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PROVINCIAL AFFAIRS

HUBEI PLANNING CONFERENCE STRESSES SYNCHRONOUS DEVELOPMENT

HK250758 Wuhan HUBEI RIBAO in Chinese 14 Jan 85 p 1

[Report: "Provincial Planning Conference Stresses Centering Efforts on Improving Economic Results, Maintaining Synchronous Rises in Growth and Results"]

[Text] "Last year, the per-capita gross output value of industry and agriculture of our province for the first time topped 1,000 yuan, reaching 1,098 yuan. Pushing ahead the national economic this year is vital to ensuring the smooth progress of the reform of the overall economic structure and for the first doubling in our province ahead of schedule," stated Huang Zhizhen, governor of Hubei Province, at the provincial planning conference on the afternoon of 13 January 1985.

The conference was held from 6 to 13 January. The conference relayed the spirit of the national planning conference, arranged and set goals for the development of the provincial national economy for 1985, which had been decided by the provincial CPC committee after repeated study. The gross output value of industry and agriculture should reach 56.4 billion yuan, a 9 percent increase over that of last year, of which the output value of agriculture should be 17.1 billion yuan, a 7 percent increase over that of last year while the output value of industry should be 39.3 billion yuan, a 10 percent increase over that of last year. Revenue should be 4.41 billion yuan, an 8.76 percent increase over that of last year.

The comrades who attended the conference think that the 1985 economic plan has a high starting point, and new tasks, difficulties, countermeasures, and prospects. The year 1984 was one of the best in terms of the economic development of our province, in which both industrial and agricultural production developed quickly side by side and increased greatly. The growth rate decided by this year's plan is again the highest in recent years. But all the comrades think that as far as absolute growth value is concerned, the gross output value of industry and agriculture in 1984 was 7 billion yuan, more than that of 1983, while the arrangement made in this year's plan is for only 4.1 billion yuan more than that of 1984, so there is still some margin. The conference fully estimated the difficulties in accomplishing this year's planned quotas and put forward appropriate countermeasures for every difficulty.

Thus all the comrades were fully confident of accomplishing the tasks set by this year's plan.

Governor Huang Zhizhen stressed in his speech that in the whole process of implementing this year's national economy development plan, efforts should always be centered on improving economic results and maintaining synchronous rises in growth and results. He pointed out that in this year's economic work, five items of work should be done with great efforts: Readjusting the rural economic structure and accelerating the overall development of the rural economy; greatly developing town and township enterprises so as to greatly increase the output value of town and township enterprises; vigorously pushing ahead with technological transformation so as to advance the development of technology; adhering to the open-door policy and actively developing external economic cooperation and technological exchanges; and further enlivening circulation and pushing ahead with the greater development of the commodity economy.

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PROVINCIAL AFFAIRS

NINGXIA-ZHEJIANG COOPERATION EFFORTS LAUDED

OW271111 Hangzhou ZHEJIANG RIBAO in Chinese 18 Jan 85 p 1

[By reporter Jin Feifei]

[Text] The Ningxia economic and technological cooperation delegation led by Hei Boli, chairman of the Ningxin Hui autonomous regional government, has held talks with the economic departments of our province in the past days to discuss how to expand economic cooperation between Ningxia and Zhejiang.

The Ningxia delegation arrived in Hangzhou on 15 January and was welcomed that evening at a banquet given in their honor by Governor Zue Ju in the name of the Zhejiang Provincial People's Government. Chairman Hei Boli gave a reception here on the evening of 17 January. He said at the reception that Ningxia and Zhejiang have a long history of economic and technological cooperation between them and that such cooperation has developed in recent years. The Zhejiang Provincial People's Government has sent a consultancy group to Ningxia and cooperation relations have been established between many departments, areas, and enterprises of Zhejiang and their Ningxia counterparts. There were more than 160 cooperation projects in 1984. All have played an active role in the economic development of the Ningxia Hui Autonomous Region. Hei Boli, on behalf of the regional party and government organizations and the people of all nationalities of Ningxia, expressed wholehearted thanks to the provincial party committee, the provincial government, and the people of Zhejiang.

In his speech at the reception, Vice Governor Shen Zulun extended a warm welcome to the Ningxia delegation and thanked them for creating conditions for furthering cooperation relations between the two places. He called for efforts to learn from Ningxia comrades and work hard to promote cooperation with Ningxia.

Present at the reception were responsible comrades of the Zhejiang Provincial CPC committee, the provincial advisory commission, the provincial people's congress standing committee, the provincial CPPCC committee, as well as responsible comrades from Hangzhou city. They included Luo Dong, Li Dexin, Tie Ying, Cui Jian, Shang Jingcai, Wang Jiayuang, and Zhai Xiwu. Also present were responsible comrades from provincial-level organizations and prefectures, cities, and counties concerned.

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PROVINCIAL AFFAIRS

HUBEI COMMENTARY URGES PROMOTING COMMODITY CONSUMPTION

HK230554 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 21 Jan 85

[Station commentary: "Advocate and Encourage Consumption"]

[Excerpts] At present, business is booming in the urban and rural markets throughout the province around the Spring Festival and buying and selling is brisk. The amount of retail commodities in society has greatly increased. Durable consumer goods and high-grade commodities are sold both in the urban and rural areas. This not only shows the development of urban and rural economic reform and the change in social economic life but also has caused changes in people's mode of life.

However, under the long-term influence of leftist ideology, paying attention to food, clothing, consumption, and dress was regarded as a bourgeois mode of life and an old idea, which still plays a part in the sphere of consumption. In this aspect we must emancipate our minds. Paying no attention to the link of consumption reflects onesidedness in economic ideology and theory. We must organize well both production and consumption.

At present, when the Spring Festival is approaching and an upsurge in consumption appears in the urban and rural markets, we must eliminate the old concepts, must establish a new view of consumption, and most advocate, encourage, and promote consumption. The industrial departments must produce more marketable commodities to meet the needs of the consumption markets and to satisfy the demands of consumers. The commercial departments must do everything possible to organize the supply of goods, must improve their service attitude, and must not hoard commodities which are in short supply. They must deliver goods to rural areas, must give guidance in sales, and must direct people to pay attention to food, clothing, consumption, and entertainment so as to allow the people in the urban and rural areas to spend a civilized, healthy, and happy Spring Festival.

CSO: 4006/335

PROVINCIAL AFFAIRS

XINJIANG CONSOLIDATES MORE THAN 70 PERCENT OF ENTERPRISES

HK250746 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 23 Jan 85

[Excerpts] The region has made achievements in consolidating enterprises. By the end of last year, the region has consolidated and accepted the results of more than 2,300 enterprises, accounting for 70 percent of the assigned target.

The region started enterprise consolidation in 1982, and carried the work out on a full scale last year. Various localities integrated the consolidation with reforms. They made the consolidation task subordinate to and serve the reforms. Through the adoption of manifold measures, such as strengthening the leadership, dividing groups for specific leadership, and giving bonuses and punishment, the localities sped up the pace of consolidation and improved the quality of the work, thereby creating favorable conditions for invigorating the enterprises.

In the course of enterprise consolidation, various enterprises upheld the practice of grasping the two civilizations and integrating ideological and political work with economic work, thereby greatly improving their economic results. According to the statistics on 49 large and medium-scale key industrial and communication enterprises which are included in the state assessment list, these enterprises last year fulfilled a gross industrial output value 27.16 percent more than that in the previous year. Also, the enterprises earned a realized profit 16.35 percent more, and delivered 16.32 percent more profits than the previous year. Their output value, profits and profit delivery were also higher than that of ordinary enterprises as a whole.

CSO: 4020/100

PROVINCIAL AFFAIRS

SHANXI LEADER OUTLINES STRUCTURAL REFORM SCHEME

HK250301 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 24 Jan 85

[Excerpts] The provincial CPC committee work conference held a full session on the afternoon of 24 January, at which Provincial CPC Committee Secretary Li Ligong presided. Wang Senhao, deputy secretary of the provincial CPC committee and governor, delivered an explanation on the province's scheme for reform of the economic structure.

The scheme is in seven parts. Part one proposes many positive reform measures and regulations, many of which express in concrete and systematic form the policy regulations of the CPC Central Committee and the State Council. After these measures and regulations are put into practice, they will in every respect further expand enterprise decisionmaking powers and will certainly greatly invigorate the state-owned industrial and commercial enterprises.

Part two proposes that the system of responsibilities for plant managers be instituted in all state-owned industrial and enterprises in the province this year. It also proposes a system for the term of office of plant managers.

Part three proposes that urban collective enterprises should have greater decisionmaking powers and flexibility. Part four deals with the separation of powers and responsibilities between government and enterprises, as an important condition for enlivening the enterprises. Parts five and six propose a number of coordinated reform measures for planning management, labor wages, prices, taxes, credits, and foreign trade, to create the necessary external conditions for invigorating the enterprises.

The final part of the scheme deals with the question of promoting and training socialist enterprise management cadres.

In his explanation, Cormade Wang Senhao spoke on a number of major questions to be clarified during discussions on the scheme.

1. The question of persisting in division of powers and responsibilities between government and enterprises. It is necessary to clearly understand that the basic function of government organs is to serve the people, the grassroots, and the enterprises. It is also necessary to understand that streamlining administration and delegating powers means delegating powers to the enterprises, not to the administrative departments. At the same time, after the enterprises have expanded their decisionmaking powers, they must use their

powers well, and make greater efforts to improve management and competitiveness and expand sources of revenue.

2. The question of instituting the system of responsibilities for plant managers. It is necessary to focus on solving two problems in instituting this system: handling well division of labor between party and government and ensuring that plant managers have powers and responsibilities; and improving the quality of plant managers to meet the new situation and tasks.

3. The question of learning how to use the economic levers.

4. The question of promoting and cultivating socialist enterprise management cadres. It is necessary to see the main current of the intellectuals and respect and cherish their labor and its fruits.

CSO: 4006/333

PROVINCIAL AFFAIRS

BEIJING PLANS MORE BUSINESS, SHOPPING CENTERS

OW241320 Beijing XINHUA in English 1230 GMT 24 Jan 85

[Text] Beijing, 24 Jan (XINHUA)--Of 16 million square meters of building begun annually, Beijing finishes seven million with in the year, said city planning official Ke Huanzhang here today.

The municipal planning bureau deputy director told a press conference that the past five years' 20 million square meters of housing equalled the city's total in 1949. [sentence as received]

The coming years' 30 major projects include office buildings, shopping and cultural centers and hotels.

Beijing receives up to 800,000 tourists and business people daily--discounting foreigners--but has only 230,000 hotel beds, despite ten hotels built in recent years.

For the 1990 Asian Games Beijing will build an 80,000-seat stadium a village for 7,000 athletes and a press center on the northern outskirts.

Five large shopping centers will be built around the outer city and 30 small ones in town.

Ke said the old city would be renovated, preserving ancient buildings, and trees, flowers and lawns would be planted.

Plans are afoot to speed construction in 11 suburbs, and four satellite towns in Changping, Daxing, Tongxian and the Yanshan petrochemical works are taking shape.

Also about to be begun are a large integrated circuit factory, a second refrigerator plan, a food processing plant and 20 other major industrial projects covering foodstuffs, printing, electronics and building materials.

As problems, Ke cited urban land shortage, water and infrastructure out of step with housing.

CSO: 4020/99

PROVINCIAL AFFAIRS

GANSU GOVERNMENT COMMENDS ADVANCED UNITS OF 1984

HK280215 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 27 Jan 85

[Excerpts] The provincial government held a rally in Lanzhou on the afternoon of 27 January to present awards and prizes to advanced units of 1984. During the year, the people of the province seriously implemented the principles and policies of the CPC Central Committee and State Council on invigorating the domestic economy and opening up to the world and on reforming the economic management setup, and the spirit of the important instructions of General Secretary Hu Yaobang on planting grass and trees and developing animal husbandry. Notable successes were scored in planting grass and trees, and a number of counties achieved ahead of schedule the demand of the provincial CPC committee on putting a stop to destruction of vegetation cover within 3 years. A number of enterprises have set up and put on a sound basis various types of responsibility system, carried out technological transformation, and worked hard to develop new products, reduce deficits and increase surpluses. The quality and economic results of these enterprises has shown marked improvement.

In its commendation order, the provincial government called on staff, workers, and masses on all fronts to learn from the advanced, carry out the second stage of reforms in the rural areas and the reform of the urban economic structure, and work hard to invigorate Gansu's economy and fulfill the national economic plans for 1985.

Provincial CPC Committee Secretary Li Ziqi spoke at the gathering. He said: The province did well in economic work and in completing all tasks last year. The general demand on work in 1985 is that industrial and agricultural output and all other work be done even better.

CSO: 4006/333

PROVINCIAL AFFAIRS

BEIJING STEPS UP WATCH ON TAP WATER QUALITY

OW010350 Beijing XINHUA in English 0305 GMT 1 Feb 85

[Text] Beijing, 1 Feb (XINHUA)--Beijing is now stepping up its efforts to monitor the quality of tap water supplies to its 4.47 million urban residents.

The quality of tap water in the city, supplied by 12 waterworks of the Beijing tap water company is checked by a three-level citywide surveying network consisting of production units and laboratories of the waterworks, and a central water quality inspection center.

Waterworks staff check the amounts of purifiers added to the water on a regular basis, and the calcium, magnesium, mercury, fluoride, etc. Content is monitored in the waterworks laboratories, the central water quality inspection center carries out overall checks.

The water quality inspection center, expanded in 1980, is now equipped with a gas chromatograph, an atom-absorbing spectrophotometer and other sophisticated monitoring equipment imported from the United States, Japan and Britain.

The center has set up 400 check points (each for an average of 20,000 people) to collect samples of tap water on a regular basis.

Moreover, it has a water quality survey vehicle on call for on-the-spot water examinations in the city.

Zhou Shuyun, director of the center, said that the Beijing tap water company now did not supply and water that had not reached the state sanitary standards set for tap water. The company has abandoned 16 underground springs because the quality of their water was not up to the state sanitary standards, she said.

CSO: 4020/107

PROVINCIAL AFFAIRS

BRIEFS

JIANGSU, SHANGHAI COOPERATION DISCUSSION--A Shanghai municipal government delegation led by Shanghai Mayor Wang Daohan and Shanghai Vice Mayor Zhu Zongbao exchanged opinions with Jiangsu Governor Gu Xiulian and Jiangsu Vice Governor Chen Huanyou on questions of mutual concern in economic work at the conference hall of the Jinling Hotel on the afternoon of 23 January. Wang Daohan first gave his opinion on how to enliven the market. He hoped that agricultural and sideline products trading centers in Nanjing and other Jiangsu locations would establish close ties with their Shanghai counterparts and form an open market in order to promote commodity circulation. He praised the good operations of several dried salted duck, leather goods, and water pump factories run by towns and villages in Jiangning County. He said: The future of these town and village enterprises will be very promising if they get help in technical transformation. Gu Xiulian hoped that the Shanghai comrades would continue to pass their experience in technical transformation and industrial management on to Jiangsu. She also discussed with the Shanghai comrades such questions as how to cooperate in goods and materials, manage the agricultural market well, use foreign capital efficiently, and develop tertiary industry. The Shanghai municipal government delegation left Nanjing for Anhui on the same day. [Text] [Shanghai WENHUI BAO in Chinese 25 Jan 85 p 1 OW]

NINGXIA DELEGATION VISITS JIANGSU--The 40-member Ningxia Hui Regional Economic and Technical Cooperation delegation headed by He Boli, chairman of that regional government, arrived in Nanjing on the evening of 26 January for a familiarization visit to our province. They were warmly welcomed by Ling Qihong, vice governor of Jiangsu, and other leading comrades. Economic and technical cooperation between Ningxia and Jiangsu has always been friendly and sincere. Economic and technical cooperation this time will be conducted in various venue, on various levels and in various forms on the basis of fostering strengths and circumventing weaknesses, mutual benefits and common development, and under the guidance of the state plans. On the morning of 27 January Hei Boli and Ling Qihong presented the economic development situation in their respective provinces. Located in the northwestern part of the motherland, Ningxia abounds in natural resources. People there are industrious and brave. Its economic development has been rather fast. After the 3d Plenary Session of the 11th Party Central Committee, it has registered a still faster rate of development. Close and friendly cooperation between Jiangsu and Ningxia is favorable to the economic development of both. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 27 Jan 85 OW]

BEIJING RETAIL SALES--Beijing, 11 Jan (XINHUA)--Beijing's annual retail sales topped 10 billion yuan for the first time in 1984. To supply Beijing's residents with more and better clothing, food, and housing, over 4,500 commercial outlets were set up in 1984. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 11 Jan 85 OW]

JILIN URBAN-RURAL MARKETS--In 1984, new progress was made in urban and rural markets in Jilin Province. The number of urban and rural markets developed to 1,144,327 more than the 1983 figure. The sales volume of these markets reached 720 million yuan, a 37-percent increase over 1983. These markets provided 33 yuan worth of commodities for each person in the province on an average. In 1984, many peasants entered the circulation realm to conduct long-distance transportation for sale. Among the province's 55,000 transportation households, 30,000--over 50 percent--were run by peasants. The sales volume of pork, beef, and mutton increased by more than 20 percent over 1983. The number of markets for selling manufactured goods for daily use increased to 77, and their total sales volume reached 210 million yuan. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 24 Jan 85 SK]

LIAONING RETAIL SALES INCREASE--Liaoning Province enjoyed brisk business in retail commodities in 1984 thanks to upgrading the standard of the people's livelihood. According to statistics compiled by the provincial statistical bureau, the province's total retail sales reached 17.76 billion yuan, a 15.8 percent increase over the 1983 figure. Of these increased rates, the rate of commodities used in daily life reached 35 percent; clothing, 30 percent; and food, 7.8 percent. This has shown that the order of consumption structure has been changed from eating, clothing, and daily usage to daily usage, clothing, and eating, and that the standard of the people's livelihood has been greatly upgraded. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 22 Jan 85 SK]

XINJIANG REGION PRODUCTION FIGURES--Urumqi, 25 Jan (XINHUA)--The Xinjiang Uygur Autonomous Region had a record grain harvest of more than five million tons last year, according to the regional statistics bureau today. Cotton output came to 185,000 tons, up 17.8 percent over 1983. The region also produced 185,000 tons of meat--an increase of 20.9 percent, indicating new progress in animal husbandry. The region, which borders the Soviet Union and Mongolia, is one of China's major pastoral areas. The output value of light and heavy industries grew by well over 10 percent, the bureau said. In 1984, the bureau added, Xinjiang met the 1985 production quotas for 26 or 43 major industrial products, including steel, rolled steel, pig iron, coal, electricity, salt, sugar and detergents. The increase was 16.1 percent of the per capita income of the rural population, and for workers and people on the government payroll, it was 12 percent. [Text] [Beijing XINHUA in English 1643 GMT 25 Jan 85 OW]

CSO: 4020/100

ECONOMIC DEVELOPMENT ZONES

RADIO BEIJING REPORTS ON SHANGHAI ECONOMIC ZONE

OW261124 Beijing Domestic Service in Mandarin 1200 GMT 25 Jan 85

[Text] All the departments in the Shanghai Economic Zone covering Jiangsu, Zhejiang, Anhui, and Jiangxi with Shanghai as the center are bringing into full play their own superiority and vigorously carrying out economic cooperation by making the best use of their favorable conditions to compensate for their shortcomings. Shanghai, the center of this economic zone, recently worked out the policy and regulations to further open itself to the outside and decided to actively open itself to the four provinces placed under the administration of the Shanghai Economic Zone. Other provinces will also adopt measures to strengthen economic cooperation among themselves. Jiangsu Province will open its Lianyun Gang, Zhangjia Gang, and Nantong Gang to Anhui Province, while Zhejiang Province will open its Ningbo and Wenzhou to Jiangxi. Eight prefectures and counties in Jiangxi Province have signed more than 80 contracts and agreements with seven districts and four counties under Shanghai's administration. The Shanghai Municipal Joint Development Company has invested 15 million yuan to make a joint investment with Jiangxi to develop tin, lead, and zinc mines in Jiangxi. After its participation in the economic zone, Anhui Province has 18 prefectures and cities to cooperate with the economic units in various provinces and cities in the economic zone. Suzhou City became a "friendship city" of Anhui's Bengbu to jointly develop themselves into cities for the production of foodstuffs.

CSO: 4006/335

AGGREGATE ECONOMIC DATA

CAPITAL CONSTRUCTION ACHIEVEMENTS IN 1984

OW300741 Beijing XINHUA in English 0641 GMT 30 Jan 85

[Text] Beijing, 30 Jan (XINHUA)--China built and put into operation 102 large and medium-sized capital construction projects in 1984, according to the State Statistical Bureau. The figure was 26 above the schedule, or an average of one every 3-1/2 days.

The investment used last year was 73.5 billion yuan, a record since the founding of new China in 1949. The figure was 23.8 percent up from 1983, trebling that of the total value of fixed assets of the state-owned enterprises in the early 1950s.

Of the projects, 46 were in light industry, mainly sugar refineries, 11 were in power industry and eight in the building material industry.

In addition, the country completed 131 single item projects, including 24 coal projects, 19 power projects, 14 petroleum projects, 14 railway projects and a number of iron and steel and forestry projects.

While a big increase was made in the investment in energy development, investment in scientific research and urban construction increased by over 50 percent and that in transport, posts and telecommunications, education, and public health increased by over 30 percent.

Several thousand more capital construction projects are now under way across China, including 700 large and medium-sized ones.

CSO: 4020/98

AGGREGATE ECONOMIC DATA

BRIEFS

**GUIZHOU BOOSTS METALLURGICAL OUTPUT**--In 1984, the province's gross industrial output value for the metallurgical industry reached a new level on the basis of making rapid growth in three successive years. It totalled 439.41 million yuan, an increase of 13.99 percent compared with the previous year. The gross industrial output value of the industry as a whole has accomplished a year ahead of schedule the target of the Sixth 5-Year Plan. [Summary] [Guangzhou Provincial Service in Mandarin 2300 GMT 22 Jan 85 HK]

**JILIN AGRICULTURE, INDUSTRIAL PRODUCTION**--The total 1984 grain output of Jilin Province may reach at least 32.35 billion jin, exceeding 1983 by 9.4 percent. Its industrial output value may reach 18.5 billion yuan, exceeding 1983 by 12 percent. Its total commodity purchasing volume in urban and rural areas may reach 10.4 billion yuan, exceeding 1983 by 10.2 percent. More than 2,500 civilized villages have emerged in the province, amounting to 25 percent of the total number of villages. [Text] [Changchun JILIN RIBAO in Chinese 1 Jan 85 p 1 SK]

**1984 CAPITAL CONSTRUCTION**--Beijing, 29 Jan (XINHUA)--New oil wells which began operation in China last year had a combined annual capacity of 13,100,000 tons, according to the State Statistical Bureau. Other figures released by the bureau show that: new coal mines had a total capacity of 17,920,000 tons of coal. Altogether 1,247 kilometers of new railway lines went into service, 584 kilometers of lines were double-tracked and 695 kilometers electrified in the country last year. The bureau attributed the achievements to a great construction effort on energy, transportation and telecommunications--which are often regarded as the weak links in the national economy. China invested a total of 26.3 billion yuan in these three sectors last year--28.6 percent more than in 1983. One-third of the major schemes completed last year were in energy, transportation and telecommunications. [Text] [Beijing XINHUA in English 1648 GMT 29 Jan 85]

CSO: 4020/98

ECONOMIC MANAGEMENT

XINJIANG ADOPTS BUILDING INDUSTRY REGULATIONS

HK281532 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Jan 85

[Text] The Regional People's Government recently adopted provisional regulations on certain problems in reforming the management system of the building industry and capital construction.

The reform of the management system of the building industry and capital construction should be carried out in the following four parts:

1. Completely institute the contract responsibility system related to investment in construction projects. In the future, the contract responsibility system related to investment must be instituted in all new construction projects. After the design budgetary estimates have been approved and listed in the capital construction plan, construction units and responsible units should sign investment contracts. Starting construction projects on which no investment contracts have been signed is not allowed and construction banks are not allowed to allocate funds to them.
2. Vigorously promote the contract system of inviting tenders in construction projects. Reform the method of assigning construction tasks by merely using administrative means, and institute the system of inviting and submitting tenders. The units contracting for construction projects may select good surveying and designing units and construction and installation units to carry out the projects. In the future, except for some special projects, the system of inviting and submitting tenders should be practiced generally. Construction units may publicly invite tenders according to the project, the content and quality of the construction, and the requirements of the company. The units which obtain tenders must sign contracts with contracting units within a definite time to make clear the responsibility and power of each side and the methods for reward and punishment. Those enterprises which are qualified to submit tenders after examination, whether state-run or collective enterprises, can submit tenders irrespective their location or departments.
3. Reform the methods for supplying construction materials and for controlling construction funds. Reform the methods for supplying equipment and the employment system of construction and installation enterprises.
4. Delegate power to examine and approve designs. Promote commercialization of residential housing.

## FINANCE AND BANKING

### GUIZHOU AGRICULTURAL BANK LOANS DOUBLED IN 1984

HK260300 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 23 Jan 85

[Text] Agricultural banks in our province have taken measures to issue more in order to vigorously promote the development of the rural commodity economy. Last year all agricultural banks throughout the province issued loans totaling 406.39 million yuan, which was 50 percent more than in 1983. They promptly supported all trades to develop production.

The main items for which more agricultural loans were issued last year were:

1. The development of township and town enterprises was supported. Loans of 82.79 million yuan were issued, three times greater than the amount in 1983. The development of the new processing, fodder, food, construction, transport, and service enterprises was supported and the tapping of potentials of existing enterprises and their technical innovation and transformation were speeded up.
2. Loans for development projects increased by some four times and were mainly spent developing pine trees planting and timber forests.
3. The loans for rural contract households were 36.18 million yuan, and were twice as much as in 1983.

CSO: 4006/337

FINANCE AND BANKING

BANK EXTENDS MORE LOANS TO PRIVATE SECTOR

OW290927 Beijing XINHUA in English 0900 GMT 29 Jan 85

[Text] Beijing, 29 Jan (XINHUA)--The Industrial and Commercial Bank of China extended 250 million yuan in loans to self-employed business people in 1984, today's ECONOMIC DAILY reports.

This figure was six times that of 1983 and represents a major breakthrough over the years, the paper says.

Such a backing has contributed more employment opportunities, and the development of commodity production, the paper says. Self-employment is one path for solving employment problems in China and has been much encouraged over the past few years.

The bank used to provide loans only to handicraftsmen and to people engaged in the service trades, such as shoe and house repairs. In the past year, it has extended the scope to cover self-employed in both urban and rural areas in communications, transport, housing renovation, culture and education, science and technology, tourism and livestock breeding.

The bank not only provided loans to be used as circulation funds but also for buying small equipment, vehicles and buildings. The maximum amount of each loan was also raised. Previously the limit was 2,000 yuan. Now it can be more provided there are reliable guarantors.

Last year the bank gave priority to private businesses producing or selling popular commodities, such as food stuffs and arts and crafts.

CSO: 4020/98

FINANCE AND BANKING

MORE BANK LOANS TO BOOST COMMODITY PRODUCTION

OW021639 Beijing XINHUA in English 1615 GMT 2 Feb 85

[Text] Beijing, 2 Feb (XINHUA)--More bank loans have been planned to boost rural commodity production, now expected to eventually replace the traditional small farming undertaken mainly for the subsistence of the producer.

A senior Chinese bank official said here today that loans of 480 billion yuan (rmb) will be issued this year by the Agricultural Bank of China and rural credit cooperatives to rural commerce and industries run by both collectives and individual households.

Han Lei, director of the Agricultural Bank of China, said that meanwhile, the bank would offer a new deposit service this year, involving deposits for special investment and purchase of consumer durables and larger means of production, with a view to raising more funds for rural commodity production.

Priority will be given to food production, fodder processing, building materials, construction and energy development.

A preferential rate will be granted to help rural industries adopt advanced technology.

Rural industrial enterprises, now numbering 1.4 million, are now expected to produce according to market demand, Han added.

Since 1979, the bank and cooperatives have given loans totalling 1,749.2 billion yuan, Han said.

They had a deposit balance of 100.9 billion yuan at the end of last year.

CSO: 4020/107

FINANCE AND BANKING

TIAYUAN LOTTERY TO RAISE HOUSING CAPITAL

OW311106 Beijing XINHUA in English 1031 GMT 31 Jan 85

[Text] Taiyuan, 30 Jan (XINHUA)--A major lottery will be held in Tiayuan, capital of Shanxi Province, in a bid to raise 25 million yuan to pay for much-needed new housing in the city.

The Tiayuan People's Construction Bank and the Taiyuan Housing Development Company are cooperating in the five-year experiment, bank president Han Liyan told XINHUA today.

He said the idea was to offer savings securities to the public for 50 yuan each, which could be cashed in, plus interest, after five years.

In addition, each numbered security would enter a lottery, in which there would be 1,316 prizes.

First prize will be a 71-square-meter three-roomed apartment. There will be two second prizes of 59-square-meter two-roomed apartments and three third prizes of 48-square-meter two-roomed apartments.

There will also be prizes of color TVs, sofas and electric cookers. The winners will have the property rights to sell the prizes if they wish, said Han.

The lottery will be held in February when the first batch of securities have all been sold, with the lucky numbers drawn from a revolving sphere under the supervision of a local court.

One hundred thousand 50-yuan securities have been issued as a first batch, and more batches will follow.

People braved freezing weather to queue outside the bank when it began issuing the securities last Friday morning.

"I hope I am lucky enough to win an apartment in the lottery," said a young shop assistant, who bought two securities. She is saving up to get married.

A retired worker bought 10 negotiable securities. He said he was living in a large house, and did not place much hope in winning an apartment.

The reason he bought the securities was to assist housing construction, which would help people with no proper homes of their own.

Most houses in China's cities are provided by the government as welfare at very low rents, which barely cover the cost of maintenance and repair.

Now, the government encourages individuals or collectives to buy apartments as part of the effort to raise funds for housing construction.

The turnover of the securities in five years will help build apartment buildings with a combined floor space of 400,000 square meters, enough for 6,000 to 8,000 residents to move in, the president said.

CSO: 4020/107

FINANCE AND BANKING

RURAL INSURANCE EXPANDS IN 21 PROVINCES

OW040852 Beijing XINHUA in English 0820 GMT 4 Feb 85

[Text] Beijing, 4 Feb (XINHUA)--Insurance has taken way in half of China's 21 provinces, the latest news weekly OUTLOOK reports here today.

Rural insurance expanded very quickly over the past few years as a result of rapid economic development in the countryside. By the end of last year, more than 4 million rural families insured their property for more than a total 10 billion yuan.

The weekly quoted Cui Naifu, minister of civil affairs as referring to the insurance as an effective way to help the relief work.

In the past three years, the insurance company in Jiangsu Province compensated 17,600 rural families for losses caused by fire, floods, snowfall and hailstorms.

The ministry ahd the People's Insurance Company of China also took measures to expand insurance trade in China's rural areas where 800 million people live.

On average, the ministry earmarks 600 million yuan annually for disaster relief, not including emergency supplies allocated by the state, such as steel, cement, timber, chemical fertilizer and draingage equipment.

Another 1.25 billion yuan has also been allocated annually since 1982 to help the rural residents whose annual per capita income is between 100 and 150 yuan.

In the past three years, more than 7 million households have received the annual supplement, and nearly half have their living standards significantly improved.

The weekly says, the Ministry of Civil Affairs will increase its relief fund this year through combining the efforts of the state, the collective and the individuals.

This year, it will give in advance its relief funds to 60 counties, totalling about 100 million yuan to help develop industrial, agricultural and sideline production as a measure to promote overall development of grassroots civil affairs. The budget is expected to be increased to 900 million yuan annually during the Seventh Five-Year Plan period (1986-1990).

CSO: 4020/107

FINANCE AND BANKING

BRIEFS

SHANDONG SAVINGS DEPOSITS--In 1984, the increase of urban savings deposits in Shandong Province netted 900 million yuan. As compared to 1983, the 1984 sales volume of commodities of the province increased 13.3 percent. The per capita savings deposits of staff and workers were over 600 yuan. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Jan 85 SK]

ZHEJIANG SAVINGS DEPOSITS--People's savings deposits in Zhejiang's urban and rural areas totaled 2.2 billion yuan in 1984, overfulfilling the annual plan. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 16 Jan 85 OW]

GUANGXI WORLD BANK LOAN--Beijing, 30 Jan (XINHUA)--The Guangxi Zhuang Autonomous Region is using a loan provided by the World Bank to boost fruit and other agricultural production, the newspaper ECONOMIC INFORMATION reported today. The World Bank is extending 50 million U.S. dollars, and China's central and local governments are planning to allocate an additional 60 million yuan (about 21.5 million U.S. dollars) for the project, the paper said. Seventy percent of the funds will be used over the next three years to build plantations growing subtropical fruit. Orange and tangerine trees will be planted on 7,300 hectares, grapefruit on 1,300 hectares, longan on 300 hectares and lychees on 200 hectares. The plantations will be located in 16 counties in northern and southern Guangxi, where good transport services are available. Guangxi with its mild climate and ample rainfall, is suitable for subtropical fruit cultivation. [Text] [Beijing XINHUA in English 0845 GMT 30 Jan 85 OW]

CSO: 4020/101

MINERAL RESOURCES

YUNNAN HOLDS MEETING ON DEVELOPING MINING

HK301540 Kunming YUNNAN RIBAO in Chinese 19 Jan 85 p 1

[Report by Zhang Hui [1728 2547]: "Provincial Mining Development Conference Decides on Future Tasks"]

[Text] Rich mineral resources are a major favorable condition of Yunnan. In order to attain the strategic goal put forward at the 12th CPC National Congress, it is necessary to earnestly implement the central authorities' policy concerning the development of the mining industry in light of Yunnan's reality, arouse the enthusiasm of various sectors in energetically developing mining, exploit the treasures which have been sleeping soundly underground, and bring about a take-off for Yunnan's economy. This is the task put forward by the provincial mining development conference.

The provincial mining development conference was convened by the Provincial People's Government in Kunming in mid-January. Provincial Governor Pu Chaozhu and Vice Governor He Zhiqiang made a report and delivered a speech at the meeting. Much investigation and study had been carried out before the conference to discuss mining development and two meetings on a relatively large scale had been held to verify the policies and technologies concerned.

The conference held that the varieties of minerals in Yunnan are relatively complete, these minerals are widely distributed, and the production potential is great. Developing mining is a backbone undertaking which has broad prospects. It can provide urgently needed materials for socialist modernization and it is also an important way to accelerate the reform of rural industry system and to promote the quadrupling of gross industrial and agricultural output value so that people of all nationalities can become well-off as soon as possible. In light of existing problems in Yunnan's mining development, the conference urged doing a good job in the following aspects: 1) Restrictions on resources should be relaxed and the situation of monopolized management should be changed. Except special minerals which the state has forbidden to be mined and some rare elements and radioactive elements which the peasants are not capable of mining, all scattered deposits, exposed deposits, small reserves on the edges of large mines, small mineral veins, small mineral reserves, and deposits newly found by the masses can be mined. With the approval of the departments concerned, some large and medium-sized mineral deposits can also be mined. However, it is necessary to guard against pollution caused by mining.

Destroying forests to get charcoal for smelting is forbidden and smelting is not allowed to be carried out near county towns or in densely-populated places. 2) It is necessary to enliven management. Mining development should be regulated by needs of the market and by the law of value. Joint management and cooperation of various structures and forms should be developed. 3) Help should be given to peasants who are engaged in mining in the form of policies, capital, technology, and equipment. 4) Strict management should be enforced. Units or individuals must make applications and obtain approvals before they can start mining. Such approvals are chiefly made by departments in charge of work in this respect and entrusted by the government for doing so. These departments will issue permits for mining and local industrial and commercial management departments will issue licenses for operation. The principle of putting safety first must be adhered to in mining and no mining can be carried out if necessary safety conditions are unavailable.

CSO: 4006/337

MINERAL RESOURCES

BRIEFS

MINERAL RESOURCES LAW STUDIES--Beijing, 3 Feb (XINHUA)--A law on mineral resources has been drafted and presented to Chinese legislature for deliberation, according to an official of the Ministry of Geology and Minerals here today. The law covers management, geological study, general survey, prospecting, exploration, use and protection of the mineral resources. The law aims at checking waste and damage of China's mineral resources, the official said. State councillor Song Ping said at a recent national meeting that geological work was of key importance to the nation's economic development. China has since 1949 found 150 kinds of minerals and more than 200,000 mineral deposits. Reserves of 136 minerals in 15,000 areas have been verified. In the meantime, Chinese geologists have found and appraised more than 180 large and medium-sized underground water reservoirs for the 1.1 million square km agricultural and pastoral areas in northern China, 4,000 industrial and mining enterprises and 100 large and medium-sized cities across the nation. [Text] [Beijing XINHUA in English 1141 GMT 3 Feb 85 OW]

LIAONING IRON MINE DISCOVERY--Through 4 years of efforts, the No 4 work team of the Liaoning Provincial Geological Bureau has discovered an iron mine in Heishan County. The iron deposit there is about 45,000 meters long and 1,000 meters wide and is estimated to be 22 million tons. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 22 Jan 85]

CSO: 4006/320

INDUSTRY

PROGRESS OF GLASS-CERAMICS INDUSTRY SUMMARIZED

Beijing ZHONGGUO JIANCAI /CHINA BUILDING MATERIALS/ in Chinese No 5, Oct 84  
pp 5-7

/Article: "The Glass-Ceramics Industry Is Advancing In Giant Strides"/

/Text/ Since the founding of the state, China's glass-ceramics industry has developed rapidly and has become an industrial department that includes plate glass, process glass, quartz glass, building ceramics, glass fiber, glass fiber reinforced plastics and special fireproof materials, with over 2,000 different main varieties, specifications and designs. Glass-ceramics products play an important role in the building industry, industrial communications and transportation, agriculture, as well as people's daily life and even military projects in national defense and space technology. The pace of development of the glass-ceramics industry directly affects economic construction and the people's livelihood.

I. Recollection

The glass-ceramics industry has had a long history in China. But in Old China, its development was very slow. In 1949, China's annual plate glass production capacity was only 1.6 million standard cases with an actual output of 1.07 million standard cases. The output of sanitation ceramics was even more pitiful, with only 4,400 pieces. Not only was the quality poor then, but the technology was backward and varieties were few. There was no production in processed glass, quartz glass, glass fiber, glass fiber reinforced plastics/ compound materials. Moreover, there was no scientific research, design and machine making capability, and even some raw materials for glass were dependent on import.

The birth of New China brought unlimited opportunities for the glass-ceramics industry. As a whole, its development during the last 35 years has gone through three stages:

1. Stage of revived production and gradual growth (1950-1957)

In the first 3 years of this stage, production capacity revived rapidly and there was initial growth. By 1952 the output of plate glass at the 3 original glassworks of Qinhuangdao Yaohua, Dalian and Shenyang reached 214,000 standard

cases; production was under way at the No 2 kiln at Yaohua Glassworks in Shanghai; and the Shenyang Ceramics Plant was also completed and began production, and the national output of sanitation ceramics increased to 120,400 pieces.

During the last 5 years of this stage, that is, the period of the First 5-Year Plan, the ceramics industry developed smoothly. The original enterprises underwent technical transformation and extension; output of plate glass had an average growth of 16.7 percent while that of sanitation ceramics was 15.8 percent.

During this stage, product variety also grew. In 1953, Shenyang produced cellular glass and in 1954, the Shanghai Yaohua Glassworks began production of processed glass, filling the gaps in China's glass industry.

During this period, scientific research and design units for glass-ceramics were organized while other types of groundwork were also developed.

## 2. Stage of tortuous advance (1958-1978)

During these 21 years, the development of the glass industry suffered major setbacks caused by the disruption of the "Great Leap Forward" and the damage of a decade of turmoil. However, due to the good basis laid during the First 5-Year Plan, particularly having implemented the party's guiding principle of "readjustment, restructuring, consolidation and improving" after 1963 glass-ceramics industry developed despite the tortuous road.

During this period, plate glassworks were successively built in Zhuzhou, Luoyang, Lanzhou, Kunming, Taiyuan, Bengbu, Hangzhou and Xiamen; the Shanghai Yaohua Glassworks was extended; the Xianyang Ceramics Plant was built; and large and medium-sized building ceramics plants in Beijing, Tangshan and Shiwan in Guangdong were transformed and extended.

It is worth pointing out that at the end of the 1950's China had built glass fiber, glass fiber reinforced plastics and quartz glass industry which filled the gaps in China's industrial production. There was also new development in processed glass.

## 3. New period of thriving development (1979-1984)

The development of the glass-ceramics industry during this period was highly accelerated. The output of plate glass increased from 20.04 million standard cases to 41.67 million standard cases in 1983, which had doubled in 5 years; processed glass from 950,000 square meters in 1978 to 1.97 million square meters in 1983; sanitation ceramics from 2.278 million pieces in 1978 to 8.065 million pieces in 1983; glazed tiles from 3.567 million square meters in 1978 to 16.8 million square meters in 1983; glass fiber from 40,000 metric tons in 1978 to 56,000 metric tons in 1983, and the growth of glass fiber reinforced plastics/compound materials was even greater, from 10,000 metric tons in 1978 to 40,000 metric tons in 1983.

As the saying goes, "people are most precious of all things in the world." During the last 35 years a large number of the fine leading cadres, technical specialists, entrepreneurs, political workers and advanced exemplaries have mushroomed on the glass-ceramics industrial front. In the days of celebration of the 35th anniversary of the founding of the state, we wish to pay high tribute to those people who have contributed to the development of China's glass-ceramics industry.

## II. Achievements

After 35 years, particularly through efforts during the last 6 years, China's glass-ceramics industry has made tremendous achievements in all aspects.

### 1. Large quantities of products and accumulated funds for the state

Comparing 1983 and 1952, the output of plate glass had increased 18.5 folds and sanitation ceramics 64 folds. By the end of 1983, the cumulative quantity of glass-ceramics products provided for the state included 340 million standard cases of plate glass, 46.23 million pieces of sanitation ceramics, and 560,000 metric tons of glass fiber.

With large increases in output, the quality of products has also greatly improved. The Jianshe brand of brocade ceramic tiles of Shiwan Building Ceramics Plant in Guangdong received the state gold quality award. More than 10 products including the Tangtao brand of sanitation ceramics produced by Tangshan Ceramics Plant and the Sanwan brand of glazed tiles produced by Tangshan Municipal Building Ceramics Plant received the state silver quality award. Besides, a large number of products separately received departmental and provincial high-quality awards.

In order to meet the needs of economic construction, national defense military project assembly and improving the people's livelihood, scientific research and design units have combined with production enterprises and manufactured and developed a number of new varieties and new materials. Plate glass and processed glass industry have developed from unitary production of windowpane and plain hardened glass to the production of such new products as wired glass, figured plate glass, endothermic glass, polished glass, laminated glass, electrical heated glass, plate glass, armored glass and glass brocade tiles. The designs and varieties of building ceramics have also developed considerably, of which there are already more than 50 varieties of sanitation ceramics and almost 10 varieties of colored products. Development has also begun from sanitation cleaning utensils assembly to toiletry assembly. Glazed tiles have developed from the past production of pure-white nonpatterned products to almost 300 designs and varieties including bright and colorful patterned tiles, artistics tiles, raised patterned tiles, relief tiles, painted set tiles, applique tiles, checkered exterior wall tiles and three-dimensional glazed patterned tiles. During the initial period, glass fiber industry could only produce nonalkaline glass fiber goods to serve the electromechanical industry, but it has already developed to produce more than 40 varieties and more than 200 specifications including medium-alkaline glass fiber products. Glass fiber reinforced plastic products have developed from a few varieties

catered to the national defense and military projects to thousands of varieties and specifications that are extensively used in industry and in everyday life. Quartz glass has also developed from the unitary variety in the late 1950's to the several tens of principal varieties at present.

The glass-ceramics industry has accumulated a large amount of fund for the state during the last 35 years. Based on fixed prices in 1980, the total industrial output value of key glass-ceramics enterprises increased from 17.84 million yuan in 1952 to 738.95 million yuan in 1983 with an average annual increase of 12.34 percent. Profits and taxes handed over to the state in 1952 amounted to 17.72 million yuan, which rose to 275.38 million yuan in 1983 at an average annual increase of 10.42 percent.

## 2. Tackling of scientific research and technical problems strengthened, technical progress vigorously promoted

S&T development is the forerunner of the development of productive forces. For 35 years considerable progress has been made in the scientific research work in the glass-ceramics industry. According to the figures, the 7 glass-ceramics scientific research institutes directly under the State Administration of Building Materials Industry alone, in coordination with concerned units, have obtained 260 scientific research achievements of which 29 received state awards.

In 1960 China began research on float glass technology. After countless failures the first float production line was at last successfully built by the Luoyang Glassworks in 1971 and began production. In April 1981 float technology was approved by the state, and in July that project received the state second-class invention award. The building of this float line laid the foundation for float technology in China. By the common effort of scientific research and design personnel and the broad masses of staff and workers in the glass fiber industry, research on wiredrawn curcible platinoid and the use of molybdenum electrodes in the wiredrawn glass fiber production were successful. Moreover, key topics in coating protection, processing, recovery and purification were being solved. From the time research on platinoid succeeded the state has saved a great deal of foreign exchange and platinum-rhodium alloy. Since the 1960's we have provided tens of different varieties of new glass-ceramic materials for the development of China's space technology.

Since the founding of the state, particularly the last few years, good results have been made in the technical transformation of glass-ceramics enterprises and their import of technology. Energy consumption has gradually decreased. The standard coal consumption per weight case of glass in large and medium-sized glassworks decreased from 39.8 kg in 1952 to 29.35 kg in 1983. Kiln life has been extended from 15 months at the early period of the founding of the state to about 30 months. Various processes of building ceramics industry have successively adopted more advance technology such as spray drying and pipe pressurized injection. Key ceramics enterprises have basically eliminated down-drawf kilns and replaced them by the more advanced tunnel kilns. The baking period of sanitation porcelain has been reduced from the original 144 hours to 16-20 hours. Enterprises in glass fiber, processed glass, quartz glass, glass fiber reinforced plastics, special fireproof materials have undergone some technical transformation; their technical and production proficiency have been improved to a certain extent.

### 3. Major progress in geological work, design, capital construction and outfitting

Soon after the founding of the state, the state organized and built geological and prospecting organs for building materials and nonmetallic mines. By now a professional geological contingent numbering over 9,000 has been formed. After many years of hard work, a number of arenaceous and silica sand mines have been demonstrated.

Along with the growth of the glass-ceramics industry, China has built capable glass-ceramics and glass fiber design contingents which are relatively complete in categories. Since the founding of the state, close to 100 newly-constructed, large and medium-sized glass-ceramics enterprises such as the three float production lines in Luoyang, Tongliao and Nanning as well as the Yaohua fully air-conditioned wiredrawing workshops in Shanghai were all designed by China.

Since the founding of the state we have on one hand stressed intension expanded reproduction, and on the other we have stressed extension expanded reproduction by using even more human, material and financial resources in order that the production capacity for glass-ceramics products could increase rapidly. The number of staff and workers of the trade as a whole increased from 8,000 in 1952 to the present 400,000; various specialized personnel increased from 200-odd to more than 10,000.

Machinery making for the glass-ceramics industry has also developed considerably. Since its completion in 1958, the Shanghai Glass Machinery Plant has provided good machinery equipment for the development of the plate glass industry throughout the country. Between 1966 and 1983, this plant provided 14,500 metric tons of machinery equipment. With the exception of those machinery installations for the glass fiber and building ceramics industry which are provided by the textile and light industrial systems, glass fiber and ceramics machinery making within the system developed considerably. Between 1971 and 1982, close to 10,000 sets of key glass fiber special equipment were manufactured by the Shaanxi Glass Fiber Machinery Plant, Wuxi Building Materials and Instruments Machinery Plant and Luoyang Building Materials Machinery Plant.

### 4. Export trade and international interchange developed

Since the founding of the state, China has repeatedly participated in international academic interchange in the glass-ceramics trade. This interchange has intensified academic research and international cooperation from which we have benefited considerably. In recent years, definite progress has been made in joint ventures with foreign countries in developing the glass-ceramics industry. For example, the Shanghai float glass production line, a joint venture with the British Pilkington Brothers Ltd, is being constructed in full swing.

While we have imported some advanced technology and equipment, we have also engaged ourselves in some foreign aid construction projects, thereby contributing ourselves to the building and growth of glass-ceramics industry in developing recipient countries.

The export trade of glass-ceramics products also had some development. The cumulative export volume of plate glass between 1958 and 1983 was 15.12 million standard cases; various glass fiber cloth and bands 75 million meters; between 1955 and 1983 the cumulative export volume of sanitation ceramics was 10 million pieces, glazed tiles 30 million square meters, wall and floor tiles 25 million square meters. Exported glass-ceramics products have cumulatively gained close to US\$300 million in foreign exchange.

### III. Prospects

In order to suit the needs of state construction and improving the people's livelihood, the objectives of our struggle for several key products in the glass-ceramics industry by the year 1990 are: 70 million standard cases of plate glass, 10 million pieces of sanitation ceramics and 800,000 metric tons of glass fiber and glass fiber reinforced plastics respectively. By the year 2000 the output of various glass-ceramics products will realize the goal and at least quadruple. At the same time, along with technological progress, the energy consumption of various products will be greatly reduced.

In the future, we must intensify trade management of the glass-ceramics industry, rely on technological progress, readjust the structure of enterprises, increase the designs and variety, improve product quality, expand the scope of application, improve economic results and serve economic construction, the people's livelihood and national defense construction.

The task confronted by the glass-ceramics industry is extremely glorious and arduous. We strongly believe that under the leadership of the party and the government, with the efforts of the broad masses of staff and workers and through close coordination with fraternal departments, trades and units, bright and gratifying prospects will be realized. We can expect that in 15 years when we celebrate the 50th anniversary of the founding of the state we will feel no qualms in saying: China's glass-ceramics industry has ranked itself among the most advanced in the world.

9586  
CSO: 4013/35

INDUSTRY

ZHEJIANG RURAL INDUSTRY OUTPUT UP 87.5 PERCENT

OW290821 Beijing XINHUA in English 0650 GMT 29 Jan 85

[Text] Hangzhou, 29 Jan (XINHUA)--Output value of rural industry in Zhejiang Province soared to 15 billion yuan in 1984, an 87.5 percent rise over the previous year, according to the provincial agricultural department.

The figure made up roughly 60 percent of Zhejiang's total rural output value and 33 percent of its total industrial and agricultural output value last year.

More than 30,000 new township-run factories were set up throughout Zhejiang last year, bringing the total to 110,000. Another 250,000 factories and workshops were started by individual households or jointly by peasant families.

Rural industries turn out 20,000 products, including machines, electronic parts, building materials, textiles, food, clothing, chemical fertilizers, pesticides, and arts and crafts.

Zhejiang is one of the most densely-populated and economically developed areas in China. Some 8.6 million farmers, or half of the province's rural workforce, have taken up industry, commerce, transport and sideline occupations.

Rural industrial production has risen at an annual rate of over 30 percent since 1979.

The provincial agriculture departments attributed the rapid growth to:

--Preferential treatment in taxation. New township-run factories producing food and animal feed or processing farm produce enjoy exemption or reduction in income tax for up to three years;

--Reform of the leadership system. Factory managers, who used to be appointed by county or township authorities, are now chosen through polls, recommendations or elections involving workers and office staff;

--Training personnel and bringing in capable people from elsewhere. Many rural factories send workers to college for training and offer higher wages and fringe benefits to attract technicians and skilled workers from cities.

CSO: 4020/100

INDUSTRY

BRIEFS

1.05 BILLION GARMENTS PRODUCED--Beijing, 28 Jan (XINHUA--More than 1.05 billion garments were made by state factories last year, today's ECONOMIC DAILY reported. In addition, more than 200 million garments were made by specialized households and township-run businesses. According to commercial officials, 200 million wool, silk, fur and feather garments were sold throughout the country last year. But the supply of quality clothing fell short of demand, as it had done for the past few years. The officials forecast that 1.15 billion garments would be produced by state businesses this year. One hundred new garment production lines would be put into operation. [Text]  
[Beijing XINHUA in English 1218 GMT 28 Jan 85 COW]

CSO: 4020/100

CONSTRUCTION

XINJIANG ADOPTS BUILDING INDUSTRY REGULATIONS

HK281532 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Jan 85

[Text] The Regional People's Government recently adopted provisional regulations on certain problems in reforming the management system of the building industry and capital construction.

The reform of the management system of the building industry and capital construction should be carried out in the following four parts:

1. Completely institute the contract responsibility system related to investment in construction projects. In the future, the contract responsibility system related to investment must be instituted in all new construction projects. After the design budgetary estimates have been approved and listed in the capital construction plan, construction units and responsible units should sign investment contracts. Starting construction projects on which no investment contracts have been signed is not allowed and construction banks are not allowed to allocate funds to them.
2. Vigorously promote the contract system of inviting tenders in construction projects. Reform the method of assigning construction tasks by merely using administrative means, and institute the system of inviting and submitting tenders. The units contracting for construction projects may select good surveying and designing units and construction and installation units to carry out the projects. In the future, except for some special projects, the system of inviting and submitting tenders should be practiced generally. Construction units may publicly invite tenders according to the project, the content and quality of the construction, and the requirements of the company. The units which obtain tenders must sign contracts with contracting units within a definite time to make clear the responsibility and power of each side and the methods for reward and punishment. Those enterprises which are qualified to submit tenders after examination, whether state-run or collective-run enterprises, can submit tenders irrespective of their location or departments.
3. Reform the methods for supplying construction materials and for controlling construction funds. Reform the methods for supplying equipment and the employment system of construction and installation enterprises.
4. Delegate power to examine and approve designs. Promote commercialization of residential housing.

CSO: 4006/320

CONSTRUCTION

GUANGDONG REINFORCES MAJOR ZHUJIANG DIKE

OW270812 Beijing XINHUA in English 0731 GMT 27 Jan 85

[Text] Guangzhou, 27 Jan (XINHUA)--Three thousand workers are laboring to reinforce an ancient dyke protecting the Zhujiang (Pearl River) delta.

The 80-million yuan project funded by the state will protect three million people, 67,000 hectares of farmland and Guangzhou and Foshan cities in the vicinity of the Zhujiang River delta against severe flood from the wild Beijiang River, a tributary of the Zhujiang River in the province.

The dyke, totalling 60 kilometers in length, was first erected during the late southern Song Dynasty (1127-1279) with sandy soil and turf. It was notoriously unstable and often burst before liberation in 1949.

The state allocated funds several times after liberation to reinforce the dyke and decided to undertake a major reinforcement in 1981. Two years later, the State Council listed it as a key national construction project and appropriated 80 million yuan for the purpose.

The project, which will involve reinforcement of the basement, the body and rebuilding of sluice gates, is scheduled for completion by the end of 1988.

Work has been proceeding fast on various sections of the dyke and the whole project is expected to be completed one year ahead of time, according to the commanding headquarters of the project.

CSO: 4020/107

CONSTRUCTION

FIGURES ON CAPITAL CONSTRUCTION PROJECTS RELEASES

OW040854 Beijing XINHUA in English 0815 GMT 4 Feb 85

[Text] Beijing, 4 Feb (XINHUA)--Investment in 123 state financed capital construction projects reached 17.6 billion yuan last year, 600 million yuan more than the plan, according to the State Planning Commission today.

New oil wells which began operating at six major oilfields last year had a combined annual production capacity of 12,400,000 tons, topping the plan by 60 percent.

Other figures released by the State Planning Commission show that:

Seven of 14 major coal mines under construction, with a total annual capacity of 10,840,000 tons, went on stream last year. Included was the Xiqu mine in Gujiao coalfield near Taiyuan, capity city of Shanxi Province. It has an annual production capacity of 3 million tons and went into production last December.

The double-track, electrified railway from Beijing to the port city of Qinhuangdao now carries 10 million tons of coal annually. It went into trial operation in June last year.

The 1,800-channel coaxial cable linking Beijing with Guangzhou via Wuhan, capital of Hubei Province, has been laid except two sections beneath the Xiangjiang and Lianshu rivers in Hunan Province. The section between Beijing and Changsha, capital of Hunan Province, already has been opened to service.

Other projects which are on schedule include the Baoshan Iron and Steel Complex near Shanghai, and the second stage construction of China's biggest hydroelectric power station at Gezhouba in Hubei Province.

CSO: 4020/107

CONSTRUCTION

BRIEFS

BAOSHAN WHARF COMPLETED--Shanghai, 25 Jan (XINHUA)--A wharf was officially put into operation yesterday at the Baoshan iron and steel complex now under construction near Shanghai, a project spokesman said today. The wharf, with 10 berths, is expected to handle almost all materials needed by the complex and 90 percent of the finished products. The Baoshan complex will go into partial operation in September this year. It will eventually produce 6.5 million tons of pig iron, 6.48 million tons of steel and 4.22 million tons of rolled steel a year. Construction on the wharf began at the end of 1978 and was finished in November last year.  
[Text] [Beijing XINHUA in English 1641 GMT 25 Jan 85]

APPROPRIATION FOR GUANGDONG DAM PROJECT--According to a XINHUA report, the State Council has decided to appropriate 80 million yuan for the project of consolidating the large Bei Jiang dam in Guangdong Province. Now some 300 motor vehicles, cranes, and bulldozers and some 3,000 construction workers have gone to the large dam. The project is progressing smoothly. After its completion in accordance with the designed standards, this project will be able to withstand the largest flood experienced in 100 years on the Bei Jiang and will protect 3 million people and 1 million mu of farmland in five counties--Qingyuan, Sanshui, Nanhai, Huaxian, and Panyu Counties--and will protect the two cities of Guangzhou and Foshan. It is planned that the project will be completed by 1988. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 28 Jan 85 HK]

JILIN WATER RESOURCE DEVELOPMENT--Construction of the first phase of the Liuhe Town No 2 water resource project in Liuhe County, Jilin Province, has been completed. On 20 January, the water resource was put into operation. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 28 Jan 85 SK]

CSO: 4006/337

DOMESTIC TRADE

POSTAL, TELECOMMUNICATIONS PROBLEMS, PROSPECTS

Beijing LIAOWANG [OUTLOOK] in Chinese No 43, 22 Oct 84 pp 9-11

[Article by You Mian [1429 0380]: "Posts and Telecommunications Must Develop First"]

[Text] Difficulties of Communications

"It is too difficult to make phone calls in Beijing," complained a foreign reporter stationed in Beijing. In his report, he enumerated all situations in which telephones do not work. As a matter of fact, permanent residents of Beijing know much more about how difficult it is to make phone calls in Beijing than this reporter does. If it is so difficult to make local calls in the capital, then what is it like to make long-distance calls from Beijing? The answer from all fields is still "difficult." It takes only 33 hours to go to Chengdu from Beijing by train, but sometimes it takes 2 days to complete a long-distance phone call. Not long ago, a subscriber tried for over a day to make a long-distance call to Chengde for an emergency but could not get through; finally, he had to go there by car. No wonder we heard people complaining: "Telephones are slower than trains, cars and even bicycles."

Why is it so difficult to make a phone call? According to our understanding, the basic reason is that telephone facilities are seriously inadequate. For example, at the end of 1983, China had 5.07 million telephones and its rate of popularization (the number of telephones owned by every 100 people) was only 0.49--namely, on the average, every 200 people or more owned only one telephone --which was much too low compared to the 11.89 percent at the world level. The number of long-distance telephone circuits is also seriously inadequate. China has less than 30,000 trunk circuits whereas countries of developed communications generally have hundreds of thousands to a million. Due to the limited number of circuits and the huge volume of communications, the overwhelming majority of China's circuits are overloaded and constantly jammed. For instance, there is only one direct circuit between Jinan and Guangzhou. As a consequence, about 3,000 long-distance phone calls are unable to be put through each month. The contradiction between supply and demand is very marked.

In fact, at present, not only is it difficult to make local and long-distance phone calls but the whole communications system is overstretched. Comparing 1983 with 1949, the annual business volume of postal communications increased 38-fold from 600 million pieces to 23.7 billion pieces but the fixed assets

of postal departments increased only 1-fold. As a result, except for a few cities, all post offices suffer from shortages of buildings and operation sites. For instance, the building of the Shanghai Municipal Post Office was built in 1924 and its mail has been stored and handled in different places for a long period of time. This has not only increased the labor intensity of its staff members and workers but also failed to guarantee the quality and safety of the mail. The contradiction between the transport capacity and the transport volume of mail is even more prominent. The total volume of mail is 25 percent greater than the total transport capacity of China's major postal lines. Since China was opened to foreign countries, the business volume of international communications has increased sharply. Take telex, for example. There were only 157 subscribers in 1978 and there have already been 1,600 subscribers this year. However, due to the shortage of lines and equipment, the demand still cannot be satisfied.

In the past 35 years, China's communications services have developed substantially and scored great achievements which ought to be fully affirmed. A nationwide postal and telecommunications network which centers in Beijing and connects vast urban and rural areas in all directions has already been established. According to statistics, by the end of 1983, the number of offices and stations offering postal and telecommunications services increased 90.5 percent compared with 1949; the total length of postal routes increased 5.7-fold compared with 1949; long-distance circuits increased 8.9-fold compared with 1950; the total capacity of urban telephone switchboards increased 7.4-fold compared with 1949; and the total capacity of rural telephone switchboards increased 38.9-fold compared with 1951. China now has direct postal communications with 111 countries and areas and direct circuit lines connecting 45 countries and areas. Vast urban and rural areas throughout China can receive the signals of the Central Television Station through microwave or satellite circuits. A 4,380-channel coaxial-cable carrier system, a 6,000-megahertz, 1,800-channel microwave system and an urban-telephone optical-fiber-trunk-utilization system have already been tested and a 480-channel optical-fiber communications system has been used in communications networks. All these are facts that need not be questioned. However, we must also notice that with S&T improving daily, communications services in all other countries of the world have developed by leaps and bounds. Compared with them, China is far behind.

Along with the shifting of the work focus of the whole party and the implementation of the policy of opening to the outside world and enlivening the domestic economy, urban and rural markets have been brisk, economic information exchanges have increased sharply and the demands of all fields for communications have become increasingly urgent each day. Inadequate communications capacity, outdated equipment, backward technology and low quality have already become important factors restricting economic development and social progress. Just as leading comrades of the CPC Central Committee and the State Council have repeatedly pointed out: The backwardness in communications has come to the point that it can no longer be tolerated and must be changed.

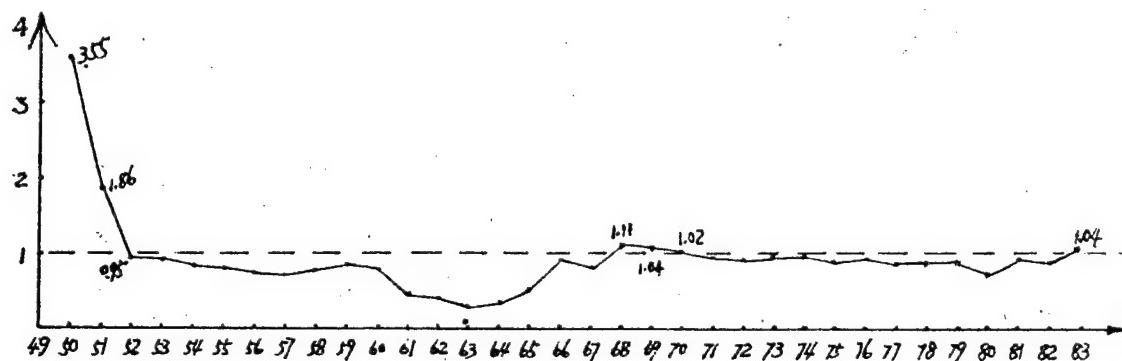
## The Crux of the Problem

Information technologies such as telephony, telegraphy, data, satellite, optical fiber and computer communications and video conference telephony have become important factors affecting the common lives of mankind and restricting economic development and social progress in the modern world. All countries consider communications a priority in the national economy and make large investments in it. According to data, Japan invested \$10 billion and the United States \$24.6 billion in 1982; France invested 25 billion francs in 1978; and the FRG invested 6.7 billion marks in 1978 and 10 billion marks in 1980. Developing countries also attach great importance to communications. Since 1981, the telecommunications investments of Asian countries and areas in the Pacific have accounted for generally 3 to 4 percent of their total investments. But since China's liberation, its state investments in post and telecommunications have accounted for only some 0.8 to 1 percent of its total national investments, much lower than the average level of other countries in the world. In most countries, communications develop faster than industry. Being just the opposite, China's industry increased 56-fold in the past 35 years, but the number of its telephones has only increased 7.4-fold, of which a third was increased after the Third Plenum of the 11th CPC Central Committee.

The crux of the problem in backward communications is that over a long period of time, China was a closed and semiclosed country where the commodity economy was underdeveloped, rural areas were devoted to farming, enterprises were responsible for only production but not management and information was unimportant. Because of this, no adequate attention was paid to the development of postal and telecommunications services.

Postal and telecommunications capital construction investment (including self-raised funds) ÷ state's total capital construction investment = %

Percentage



In fact, information is an important resource and as an important means of transmitting messages, the role of communications is very obvious. Especially since a new international technical revolution marked mainly by microelectronic and information technology is brewing, computers are closely combined with communications, and the information-processing system is linked to the information-transmission system, the role of communications has become still more prominent.

Practices at home and abroad testify to the fact that by establishing an organic link between the production, distribution, exchange and consumption of society and by reducing time and space, communications have yielded enormous results --including enormous economic results that can be expressed in figures and other results that cannot be expressed in figures--in all fields of society, such as politics, the economy, science, culture and military and foreign affairs. According to the study results of the Soviet Union, investing 1 ruble in telecommunication can save 3 rubles for the national economy. Japanese statistics show that investing 1 yen in telecommunications can create 2.5 yen of value for society. Although accurate data are not now available in China, according to the calculations based on foreign computation methods, investing 1 yuan in telecommunications can create 3.5 yuan of value for society.

The economic results of society achieved by communications find outstanding expressions in the following areas: 1) Increase the labor productivity of society. According to foreign statistics, directing and regulating traffic and transportation with communications devices can increase transport capacity by over 50 percent and the efficiency of capital construction projects by 15 percent. 2) Save manpower and funds. Using long-distance and conference telephones can reduce approximately 50 percent of expenses for business trips and meetings and at the same time greatly reduce the pressure on communications and transportation departments and service departments such as hotels. In 1981 the Jinshan General Petrochemical Plant, which had invested 14 million yuan in supplementary communications projects, had a power failure and avoided losing over 10 million yuan by handling the incident promptly through telephones, 3) Speed up capital turnover. The Bank of China now has business relations with over 1,000 foreign banks. If China exports \$20 billion of goods a year, speeding up the correspondence between the bank and foreign countries by 1 day can increase China's foreign exchange income by \$6 million a year, based on the international practice of charging \$3 a day for \$10,000. By the same token, if the turnover rate of domestic circulation funds can be sped up by 0.1 to 1 percent, several hundred million to several billion yuan of funds will be saved each year. 4) Save energy resources. Some people in the United States have estimated that using communications devices instead of taking business trips can save 7 percent of gross national daily oil consumption. Japanese telecommunications circles contend that using telephone and facsimile communications to replace all business meetings can save 60 percent of energy resources for communications.

China's investment in postal and telecommunications development has always been very small. According to statistics, during the 34 years between 1949 and 1982, the average annual investment was only 100 million yuan, and the smallest one was only over 20 million yuan.

The inadequate understanding of the position and role of post and telecommunications in the national economy is also reflected in the understanding of the nature of postal and telecommunications services. For a long time, people considered posts and telecommunications as consumption and telephones as luxuries instead of necessary conditions for organizing production and carrying out social activities. Postage and telecommunications fees have been set too low compared to the live and material labor put in by postal and telecommunications

enterprises. For instance, the postage of an ordinary letter is 8 fen, which was determined in 1950 according to the value of 0.75 jin of millet. Now that the price indices have risen, state-supplied millet costs 26.2 fen per jin at negotiated prices, but postage has never been changed. Use of public telephones is not billed on a time basis and each use costs only 4 fen. The distribution of newspapers and periodicals costs very little because it is accepted as a political task. The difference between the above-mentioned figures and the postage and telecommunications fees of foreign countries ranges from several to over 10 times. Communications equipment is replaced much more often than general machinery equipment. But the stipulated depreciation rate is only 3.6 to 5 percent. Due to these stipulations, postal and telecommunications departments are only low-profit enterprises and, therefore, cannot accumulate enough funds to develop postal and telecommunications services.

The construction of communications facilities is very costly. Relying on the limited amount of state investment and the little accumulation of postal and telecommunications departments to develop or import expensive advanced technology and equipment makes it even more difficult. Because of these reasons, for a long time, postal and telecommunications departments have been able to maintain simple reproduction but unable to reverse the passive situation.

#### Bright Prospects

The 12th CPC Congress set forth the strategic goal of quadrupling the gross annual value of industrial and agricultural output by the year 2000. At the same time, it listed posts and telecommunications and transportation as a key point of strategy and pointed out the need to "vigorously strengthen the construction of communications and transportation and post and telecommunications." China's postal and telecommunications services have entered a new development period. According to the strategic deployment of the 12th CPC Congress, the Ministry of Posts and Telecommunications gained a new understanding of the vanguard position of communications and on the basis of business forecasts and scientific demonstrations clearly set forth the strategic goal of striving to increase the business volume of posts and telecommunications by eight times by the year 2000. Communications capacity and service level will also increase and improve accordingly. In telephone communications, there will be 33.6 million telephones and the popularization rate of telephones will reach 2.8 percent by then, calculated on the presumption that the population will be 1.2 billion. The telephone popularization rate will be higher than 25 percent in large cities such as Beijing, Tianjin, Shanghai and Guangzhou, higher than 20 percent in provincial capitals, economic centers and open coastal cities, higher than 5 percent in medium-sized cities and county seats and about 1 percent on average in all rural areas.

Regarding long-distance telephone and international communications, the national telecommunications network will be automated by then; direct-dial long-distance telephone service will be basically available in cities at and above the county level; and a variety of other services such as telex and facsimile will also be available. Large computer data bases in large cities may be linked up to form a network which may also be linked to foreign data bases to provide data communications services and make it possible to share resources. Optical fiber and satellite communications will be widely adopted, video frequency transmission networks will be established and video teleconference, video telephone, high-speed facsimile and graphic communications services will be available in major

networks will be established and video teleconference, video telephone, high-speed facsimile and graphic communications services will be available in major cities. It will be possible to make local phone calls and domestic and international long-distance calls from some trains, cars and steamers.

Regarding postal communications, annual mail handling capacity will reach 160 billion pieces; a postal communications network based on central post offices, designed to reduce delivery time, consisting of water, land and air transit lines, multiple channels and covering areas in all directions will be established; and a variety of services such as ordinary, express, registered, insured and special delivery will be available for letters, printed matter, newspaper and periodical distribution, remittances and parcels. Letters mailed from the capital to provincial capitals and from provincial capitals to most cities will be delivered overnight. Postal routes and offices will be available in all rural areas. Mail will be processed by automatic or semiautomatic equipment. New services such as electronic posts will be available.

As the first step to achieve the aforementioned strategic goal, during the Seventh 5-Year Plan period, the total number of telephones should exceed 10 million, a 2.2-fold increase over 1980, and 60,000 telephone circuits should be added to basically alleviate the shortages of local and long-distance telephone and international communications facilities. More than 10,000 postal and telecommunications offices and stations should be built, 22 postal centers and container, airport, and harbor processing sites should basically be completed in some provincial capitals and major cities and water and short-distance highway delivery networks should be built to basically alleviate the shortages of operation sites and transport capacity. It is also necessary to build production lines for the complete sets of program-controlled telephone switching, digital microwave and optical fiber communications equipment to lay a solid foundation for communications development in the last 10 years of the 20th century.

We may say that if the above goal can be achieved by the year 2000, China's communications services will be able to reach the "comfortable well off" level. By then, communications--scientific eyes and ears that can see and hear far away--will be widely used from government organs to enterprises and institutions, and from public places to living rooms. At least, the people will not be complaining about how difficult it is to install telephones and make phone calls.

[Photo Caption]

Program-controlled time-division multiplexing equipment devised by the Data Communications Institute of the Ministry of Posts and Telecommunications is to undergo a technical appraisal.

[Photo Caption]

Automatic telegraph transmitter installed by the Guangzhou Telecommunications Bureau can automatically transmit more than 5,400 telegraphs an hour.

DOMESTIC TRADE

SERVICE TRADES DO FLOURISHING BUSINESS IN LHASA

OW011530 Beijing XINHUA in English 1453 GMT 1 Feb 85

[ "At Your Service--Tibetan-Style"--XINHUA headline ]

[Text] Lhasa, 1 Feb (XINHUA)--About 32,000 people, or half of Lhasa's work-force and a quarter of its population, are working in the service sector, including restaurants, shops, hotels and transport.

Service trades are flourishing in the capital of Tibet Autonomous Region as a result of the present policies encouraging both collective and individual businesses, according to local officials.

Tourists can now enjoy various types of food at restaurants. They can stay at either state-owned or private hotels and can even take private taxis for sightseeing tours.

More than 5,200 collective businesses and individual households are offering services, 64 percent more than in 1983, according to the latest statistics.

City residents, herders and peasants are offering services, along with traders and craft workers from other parts of China. Some 130 Nepalese are also in business here.

Citrus fruit and fresh vegetables from neighboring Sichuan and Yunnan provinces are available, even in winter. Customers can choose from a variety of commodities, including special Tibetan produce, consumer goods manufactured in coastal cities and products imported from Nepal.

Business deals worth 62 million yuan were struck on Lhasa open market last year, more than eight times the amount in 1983.

CSO: 4020/107

DOMESTIC TRADE

PROSPEROUS WORKERS, PEASANTS BUYING PIANOS

OW030241 Beijing XINHUA in English 0229 GMT 3 Feb 85

[Text] Guangzhou, 3 Feb (XINHUA)--One million yuan (rmb) was paid in advance to the Guangzhou piano factory in the last quarter of 1984 by some 500 eager buyers, indicating a piano craze in this south China city.

The factory produced 5,500 instruments last year and plans to turn out 7,500 this year. We find it increasingly difficult to meet the "rapidly rising demand," factory director Li Dasu said.

"Our sales personnel have had to ask our customers to wait patiently," Li said. "But the more we explain, the more eager these people become."

Earlier news reports indicate that the same craze has also emerged in other big cities. In Beijing, for example, the retail department of the Beijing piano factory sold over 300 instruments in the first two months of last year, when it produced 4,480.

As in Beijing, among the piano buyers there are workers, owners of small individual businesses and peasants.

"The policy encourages people to become prosperous through honest labor, so more and more people can afford to buy pianos which are sold at 2,100 or 2,500 yuan apiece," Li said.

Li said that previously pianos were sold mainly to art troupes. Families owning such instruments are very few.

But nowadays ordinary workers and peasants are spending more money on their children's education and training, especially if they can give them a musical skill, according to cultural officials in Guangzhou.

The Ministry of Light Industry plans to have the nation's four piano factories--in Beijing, Shanghai, Guangzhou, and Yingkou--raise their combined annual total output to 30,000 instruments in 1990, Li said.

CSO: 4020/107

DOMESTIC TRADE

DOMESTIC SALES MARKET BRISK IN 1984

OW211543 Beijing XINHUA in English 1522 GMT 21 Jan 85

[Text] Beijing, 21 Jan (XINHUA)--China's total retail sales were estimated to have reached 334.5 billion yuan in 1984, an increase of 17.4 percent over 1983, according to the State Statistics Bureau.

The sales value of foodstuffs was 155 billion yuan in 1984, up 18.6 percent on the 1983 figure, a breakdown showed that the demand for low-fat and high-protein foods such as lean pork, beef, mutton, poultry, eggs, aquatic products, dairy produce, vegetables and fruits shop up, as did the supply of cooked food, fast food, tonics and children's snacks which soared but still fell short of demand.

The retail sales of clothing items reached 57 billion yuan in 1984, 16 percent more than in 1983. More medium and high-quality materials were used in making clothes. A greater variety of clothes were worn by both urban and rural residents, and the difference in dress between the two narrowed considerably.

High-quality items took up a larger proportion last year of consumer goods, the total value of which rose to 65.6 billion yuan, 20 percent more than in 1983. The sales of durable goods registered the sharpest growth. The retail sales of television sets, tape recorders and electric fans increased more than 50 percent, washing machines by 85 percent, and refrigerators, 200 percent. In 1984, 45,500,000 wrist watches were sold, 26.5 percent more than in 1983.

According to the bureau, the brisk market was due to an overall increase in both industrial and agricultural production, including a rapid rise in the output of high-quality commodities, and also an increase in the income of both rural and urban residents. Last year, the cash income of peasants from produce sales increased about 16 percent, and their income from labor service and loans increased 50 percent compared with a year ago; the income of urban workers, including wages and bonuses, increased by about 14 percent in 1984.

CSO: 4020/99

FOREIGN TRADE & INVESTMENT

FINLAND FORESEES GREAT EXPANSION IN CHINA TRADE BY 2000

Helsinki UUSI SUOMI in Finnish 7 Jan 85 p 16

[Article: "Finland Strongly Involved in China's Development; Veneer Factory Next Big Project"]

[Text] China's economic reform again took a new step forward in October when the decision-making power was transferred from where it was before to the provincial level and the enterprises. At the same time, it was decided to expand contacts with foreign countries. The economic reform which has been in progress for 4 years has already changed China to such a degree that the old China would no longer be recognized in some places. The goal is high: industrial and agricultural production must be quadrupled by the year 2000.

Could a marketing man's dream now be unfolding, a marketing area with a billion consumers, for the Finnish exporter as well? There is reason for hopefulness, provided that you keep your wits about you.

"The greatest obstacle to China's economic growth is a critical shortage of capital," says an American economic researcher in his report.

"The Chinese have become exceedingly tough and price-conscious negotiating partners," states a Finnish businessman who has dealt in consumer goods with China for years.

Finland Has Good Possibilities

"China's modernization is directed at agriculture, light industry, energy management and the development of both transportation and communications. The Finns have great possibilities in these areas," says, for his part, a man who follows the development on the spot, commercial attaché Keijo Kurki at the Finnish embassy in Beijing. He has been in his position since the summer of 1982.

Finland's traditional export trade to China has been mixed fertilizers, viscose fibers, cellulose, cardboard and newsprint, as well as--to some extent--the metal industry's spare parts trade for paper-making machines delivered in the

1950s and 1960s. China's share in Finland's total exports has long hovered in the 0.3 percent class.

Keijo Kurki set higher goals. "My starting point was that trade should be secured on a broader basis at the same time as traditional exports must be encouraged and strengthened. As far as I can see, a broader basis on Finland's part primarily means participation in different kinds of projects which are springing up abundantly in connection with China's economic reform. After all, China's economy is now being reshaped in the sense that, along with new construction, old production facilities and machines are also being renovated and repaired. As a matter of fact, the latter aspect has been stressed in recent times," says Kurki. "We have tried to get involved in this development."

Finland's commercial representation in Beijing consists of four commercial attachés in addition to the chief, office personnel and interpreters.

#### Record Exports to China

The year which is drawing to a close [1984] has set records for Finnish exports to China. Tamrock has now penetrated the markets for rock-drilling machines for China's mining industry, and Outokumpu has been given the opportunity to sell zinc. The export of Finnish plastics has also begun, and at the same time the fertilizer trade has more than doubled from the previous year. During the first 8 months of this year, the entire exports of last year were surpassed by as much as 20 percent.

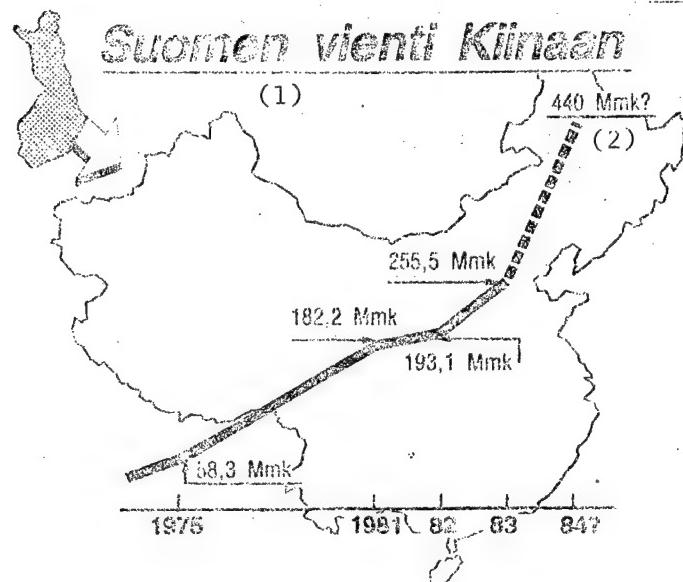
"A significant advance will be evident next year," predicts Kurki. "The market outlook for traditional exports is steady. Importing projects is a business which takes time, but I expect it to pick up steam next year when the projects' machines, equipment and instructional packages bring a significant addition to total exports."

An authentic large-scale project enters the construction stage at the start of next year. The Rauten project, a veneer factory--it is the first Finnish-Chinese joint venture--will be erected in the port city of Tsingtao. The contract for the project was signed during Foreign Trade Minister Jermu Laine's visit to China.

"The mechanical wood-processing industry is only one possible industrial field. The joint venture is likewise only one form of collaboration. Equipment leases and license agreements are equally possible. I still see it as a possibility that the Chinese would assemble machines or equipment from Finnish components. Still another possibility is the compensation agreement in which the Chinese would pay for the machines they buy with finished products," says Keijo Kurki, trying to persuade Finnish entrepreneurs.

The Chinese leadership has made the circumstances favorable for these very kinds of projects. Special economic zones and coastal cities open to the external world are intended as places in which foreign capital can function, where it is easy and profitable to invest and advantageous and safe to operate.

During the first 8 months this year, exports to China have been 292 million marks, or roughly 440 million marks becomes the sum of the entire year's exports in accordance with uniform growth.



Key:

- (1) Finland's exports to China
- (2) Millions of marks

#### Competition for Markets

How soon, then, can we hope to enter the markets in China?

"If the Chinese are interested in the product, exporting can begin within a year, especially if the product is a raw material or a semimanufactured article. Projects associated with technology transfer are slower, in which case realization takes place maybe in a couple of years," warns Kurki. "Sufficient economic and intellectual resources are required here of the enterprises."

Finnish competitiveness is not suited, however, to promoting the birth of broader trade relations. The competitor countries have better starting points.

"Sweden has completed negotiations on a mixed credit system which has immediately begun to yield results. Thanks to this system, Swedish enterprises have become involved in 30 projects since last December. Denmark has its own credit system, and at this very moment its experts are traveling around China evaluating projects they have been offered. It is important for Finland to be able to create a competitive credit system which strengthens exports and which would assure us a realistic starting point right at the start of trade negotiations."

#### Sweden Again Ahead

Sweden's mixed credit system has opened up magnificent possibilities for the

country's export industry to conduct trade with China. After all, what Sweden has to offer is precisely what China badly needs: the technology associated with energy, transportation, data processing and production of pharmaceuticals. Additionally, in China's view, a small neutral country like Sweden is an ideal trade partner, counterbalancing the large share of the United States and Japan.

All that could also apply to Finland. But only Sweden can afford to boast of the following achievements:

One of the dozen biggest development projects initiated by China during the last few years has gone to the Swedes. The combine directed by Astra is building a gigantic pharmaceutical factory in China.

Sweden's packaging industry has gained a strong foothold in China's enormous markets. Most of China's nonreusable drinking containers are manufactured by Swedes. Tetra Pak has established a dairy training center in China.

Atlas Copco's excavating machines are cutting into China's rocks on the strength of transactions worth 200 million kronor.

China, for its part, has invested in the Avesta combine. This manufacturer of stainless steel--it ranks among the world's largest--has thus gained a hold on China's markets, and China in turn has gained a foothold in Swedish high technology.

12327

CSO: 3617/60

FOREIGN TRADE AND INVESTMENT

BORDER TRADE VOLUME WITH SOVIET UNION INCREASES

OW280249 Beijing XINHUA in English 0221 GMT 28 Jan 85

[Text] Beijing, 28 Jan (XINHUA)--Trade volume between China's Heilongjiang Province and the Soviet Union's Far East regions topped 30 million Swiss francs nearly 12 million U.S. dollars in 1984, a 70 percent increase over 1983, reports BEIJING REVIEW here.

The English weekly says that the Inner Mongolian Autonomous Region, which has a short border with the Soviet Union, exchanged 15 million Swiss francs worth of goods with the Soviet Union's border regions last year, a five-fold increase of 1983.

Heilongjiang and Inner Mongolia exported light industrial products, textiles, tinned meat, soybeans, fur goods, hog bristle brushes, thermos flasks, beef and other things. Imports from the Soviet Union include timber, cement, glass, chemical products, soda ash, motorcycles and household electric appliances.

Border trade between the two regions and the Soviet Union restored in 1982, the weekly says.

China's State Council has authorized the Xinjiang Uygur Autonomous Region in northwest China to conduct border trade with two republics of the Soviet Union.

The restoration and development of Sino-Soviet border trade is one aspect of renewed economic and trade relations between China and the Soviet Union.

The Chinese and Soviet governments have agreed to increase their trade volume in 1985 from 3.6 billion Swiss francs to 4.6 billion francs.

CSO: 4020/105

FOREIGN TRADE AND INVESTMENT

CHINA DAILY COMMENTATOR CLARIFIES OPEN POLICY

HK190608 Beijing CHINA DAILY in English 19 Jan 85 p 4

[By CHINA DAILY commentator: "Open to All"]

[Text] China's policy of opening to the outside world has yielded initial results. Foreign businessmen in increasing numbers are seeking to forge mutually beneficial ties of economic cooperation with China.

This is a welcome trend, for [word indistinct] economic cooperation will not only advance China's modernization programme but contribute to peace and stability in Asia and the world.

That this policy is not a temporary expedient but one that will continue well into the middle of the 21st century is now better understood, particularly after explanations by Chinese leader Deng Xiaoping. However, a word of clarification is needed with regard to the scope of this policy.

It has been thought that China's open policy was designed to attract advanced technology and investment funds from the industrialized countries in the West. That assumption is backed by the fact that, so far, it has been mainly businessmen from those countries that have set up joint ventures and participated in various development projects in China.

But China also attaches great importance to expanding economic ties with other Third World countries. This, too, should be considered a part of China's open policy.

Generally speaking, Third World countries are less developed than Western countries owing to historical reasons. However, conditions vary from country to country. Some are more advanced than others. Even among the least developed countries of the Third World, there are bound to be strong points in certain areas.

Therefore, strengthening economic ties among Third World countries will work to the benefit of the individual countries concerned as well as help boost their collective economic might.

When countries of the Third World, who have had similar experiences in the past, join together to seek prosperity through collective self-reliance and work for a more equitable and just new international economic order, their voice will carry more weight.

Economic ties between China and other Third World nations have been expanding rapidly in recent years. What is called for now is a greater effort to acquire more up-to-date information about each other's needs and capabilities so as to discover the most suitable areas for exchange and mutual assistance.

China's open policy also embraces the Soviet Union and other East European countries.

After the founding of the People's Republic, the Soviet Union and other East European countries were China's first partners in economic and technological cooperation. The subsequent decline in the volume of trade and other economic ties was not in the interest of the countries concerned.

It is gratifying to note a resumption of and a substantial increase in trade and other economic and cultural exchanges between China and the Eastern European countries. Recent visits by high-ranking officials to each other's countries promise further growth in economic cooperation.

China pursues such a global, open policy because it recognizes that the modern world is an inter-related and interdependent world. There is everything to gain from absorbing the good experience of other countries and peoples.

Such an approach does not engage or detract from the principle of self-reliance, without which China cannot hope to achieve its modernization programme. But drawing on the expertise and resources of the rest of the world will surely speed up the process and bring forward the day when China will be in the forefront of the nations of the world.

CSO: 4020/99

FOREIGN TRADE AND INVESTMENT

PLANS TO STREAMLINE TOURIST INDUSTRY REVEALED

OW291526 Beijing XINHUA in English 1451 GMT 29 Jan 85

[Text] Yantai, 29 Jan (XINHUA)--China's provincial and municipal tourism departments are to be given permission to conduct business directly with foreign tourism agencies and grant visas themselves.

Han Kehua, director-general of the National Tourism Administration, said this was part of the measures to streamline China's tourist industry and provide more convenience to overseas tourists. He was attending a national tourism meeting being held in this seaside city in Shandong Province.

The government would also allocate funds to buy more planes for use on popular tourist routes, Han said, adding that air services will be available between Chengdu, capital of Sichuan Province, and Jiuzhaigou, a habitat of the giant panda.

While building new facilities, Ban Kehua called for better services. Prices should be reasonable and fixed according to the quality of services provided, he stressed.

Last year, the number of foreign tourists, overseas Chinese and compatriots from Hong Kong and Macao visiting the country's mainland reached 12.85 million, 35 percent up over 1983. And there were 200 million domestic tourists, Han said.

CSO: 4020/99

FOREIGN TRADE AND INVESTMENT

BRIEFS

IMPROVE TRAVEL SERVICE FACILITIES--Beijing, 26 Jan (XINHUA)--A one billion yuan project will be launched in the next six years by China Travel Service (CTS) to improve tourist facilities for overseas Chinese, Hong Kong, Macao and Taiwan visitors. The money will be used to build hotels and buy cars and other facilities, according to chief manager Gao Yin today. Speaking at the closing session of a Beijing meeting of CTS local executives, Gao said that by 1990, there would be 20,000 hotel beds available for CTS, double the present figure. CTS now handles about 900,000 tourists a year, Gao said. [Text] [Beijing XINHUA in English 1322 GMT 26 Jan 85 OW]

OVER 1,000 TRADE CENTERS--Beijing, 18 Jan (XINHUA)--China has set up over 1,000 trade centers since 1983. Boosting rural and urban commodity production. Some 600 of the centers specialized in industrial goods, while the rest deal in farm and side-line produce. Chongqing, the largest industrial city in southwest China, was the first to build industrial centers. The city has trade ties with over 1,000 self-employed businessmen and 400 enterprises across the country. Some centers offer market places to rent, while others do business themselves and some do both. After Wuhan, capital of Hubei Province, set up a center last year, it established business ties with 14 provinces and cities, and rented business space to 279 industrial and commercial enterprises from other parts of the country. [Text] [Beijing XINHUA in English 1524 GMT 18 Jan 85 OW]

HAINAN IMPORT, EXPORT TRADE--Compared with 1983, the amount of large-volume material imports in Hainan last year rose by 1,300 percent, while foreign exchange earnings from exports rose by 70 percent. During the year 21 enterprises received loans for importing equipment for technological transformation, and 33 hotels, restaurants, and stores received loans for improvement, expansion, and installation of facilities for tourists. The region's main exports were pepper, sesame, peanuts, marine products, and medicinal herbs, which yielded \$21 million more in foreign exchange than in 1983. [Summary] [Haikou Hainan Island Service in Mandarin 0400 GMT 26 Jan 85 HK]

**GUIZHOU FOREIGN TRADE**--The province scored remarkable successes in imports and exports in 1984. The import volume increased by 139 percent compared with the assigned target, or an increase of 178 percent compared with the previous year. The export volume of the province increased by 38.5 percent compared with the assigned target, or an increase of 16.9 percent compared with the previous year. Last year the province's imported computers and equipment totalled more than \$4 million in value. Furthermore, the provincial foreign economic relations and trading department has, on the mandate of the provincial government, jointly held a provincial exhibition with Japan on Japanese medical equipment, in which the province has ordered goods worth more than \$2 million. [Summary] [Guangzhou Guizhou Provincial Service in Mandarin 2300 GMT 20 Jan 85 HK]

**PRC-USSR BORDER TRADE**--Hohhot, 23 Jan (XINHUA)--Border trade between China's Inner Mongolia and the Soviet Far East region is expected to increase more rapidly this year than in the last two years. The recent first 1985 border trade talks at Mudanjiang in Heilongjiang Province agreed on 8.7 million Swiss francs worth of goods. Inner Mongolia will export foodstuffs, textiles and light industrial goods and import chemical fertilizers, cement, glass and daily necessities. Border trade resumed in 1983; 1984 saw a fivefold increase to 17.4 million Swiss francs. This year is expected to double that figure. The talks also discussed future trade possibilities. [Text] [Beijing XINHUA in English 1430 GMT 23 Jan 85 OW]

**PRC-USSR BORDER TRADE RENEWED**--Having received approval from the PRC State Council, Xinjiang Uygur Autonomous Region will renew border trade with the Kirghiz and Kazakh SSR. This was announced at the meeting on work plan for Xinjiang Uygur Autonomous Region. In December last year during the visit to China of Arkhipov, first deputy chairman of the USSR Council of Ministers, China and the Soviet Union agreed to increase the volume of bilateral trade from 3.6 billion Swiss francs in 1984 to 4.6 billion new Swiss francs in 1985. In 1984, the overall report volume of Xinjiang increased by 64.6 percent in comparison with 1983, and the overall volume of imports by 23.8 percent. In the current years Xinjiang plans to export 9.5 percent more goods than in 1984. [Text] [Beijing in Russian to the USSR 1800 GMT 28 Jan 85 OW]

CSO: 1807/197

LABOR AND WAGES

NEI MONGGOL TRADE UNION CONGRESS OPENS 25 JANUARY

SK260315 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 25 Jan 85

[Recorded report on the opening of the Fourth Nei Monggol Autonomous Regional Trade Union Congress on 25 January--portions recorded]

[Excerpts] [Begin recording] [On-scene reporter] The Fourth Nei Monggol Autonomous Regional Trade Union Congress will soon open at the Hohhot Railway Cultural Palace. More than 500 trade union representatives from all fronts of the region, some veteran trade union workers at the industrial front, and staff members and workers of various nationalities, totaling more than 1,200 people, are now jubilantly entering the congress hall amid strains of music. Tian Congming, Shi Guanghua, Cai Ying, Wu En, Li Xiangyi, Wen Jing, Wang Duo, Seyinbayaaer, Liu Zuohui, (Yang Yucai), and Han Ming, regional party and government leaders; Jiang Yi, vice chairman of the All-China Federation of Trade Unions; and responsible persons of pertinent departments have also come to attend the opening ceremony of this grand congress. [End recording]

At 0830, (Cheng Yucai), executive chairman of the congress, declared the congress open.

(Wang Yutian), vice chairman of the regional Trade Union Council, gave an opening speech. Tian Congming, deputy secretary of the Nei Monggol Regional CPC Committee, delivered a congratulatory speech to the congress.

Jiang Yi, vice chairman of the All-China Federation of Trade Unions, also spoke at the ceremony. He urged all trade unions in the region to conscientiously implement the principles and tasks of the trade union work in the new period in the course of the reform of the economic structure, with the focus on the urban economy, under the leadership of CPC committees at all levels. Trade unions should conduct reform and develop themselves in line with the actual conditions of the region and the characteristics of trade unions, focus their work and attention on grassroots levels, truly turn themselves into houses of workers, fully play their role as a bridge linking the party and the masses of staff and workers, hold high the banner of unity and construction, carry out reform boldly, and open up a road for advance.

Representatives of the regional CYL committee, the Women's Federation, the Scientific and Technological Association, and the military district also spoke. They wished the congress many successes.

CSO: 4006/320

LABOR AND WAGES

NEI MONGGOL TRADE UNION CONGRESS ENDS 29 JANUARY

NEI MONGGOL TRADE UNION CONGRESS ENDS 29 JANUARY

SK300433 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 29 Jan 85

[Excerpts] The Fourth Regional Trade Union Congress concluded in Hohhot this afternoon. The congress opened on 25 January and continued for 5 days. During the congress, delegates conscientiously studied and discussed the CPC Central Committee's decision on reform of the economic structure, and the guidelines of the 4th Regional Party Congress and the 2d Executive Committee meeting of the 10th All-China Federation of Trade Unions. They thought and discussed over reform, and turned the congress into a vigorous mobilization rally for reform.

Through democratic elections, a new leading organ of the Regional Trade Union Council was elected at the congress. The standing committee of the Fourth Regional Trade Union Council is composed of 12 members. (You Ren) was elected chairman, and (Wang Yitian), (An Jingyan), (Cheng Yucai), and (Bao Wenfeng) were elected vice chairmen of the Regional Trade Union Council. The new trade union organ has achieved remarkable improvement in its age and knowledge structure. The congress also unanimously adopted a resolution on the report on the work of the third committee of the Regional Trade Union Council, a resolution on the financial work of the trade union council, and a letter of proposal to all the staff members and workers of the region. It commended and awarded some advanced grassroots trade unions, fine trade union workers, and activists in trade union activities.

Attending the closing ceremony were regional party and government leaders, including Qian Fenyong, Tian Congming, Wu En, Wen Jing, Zhou Beifeng, Seyinbayaer, and (Yang Xucuai). Jiang Yi, vice chairman of the All-China Federation of Trade Unions, also attended.

CSO: 4006/337

TRANSPORTATION

CAAC MODERNIZING FLEET WITH FOREIGN AIRCRAFT

OW291051 Beijing XINHUA in English 0909 GMT 29 Jan 85

[Text] Beijing, 29 JAN (XINHUA correspondent Chen Ming)--China purchased 19 late model passenger aircraft from foreign manufacturers at the end of last year and early this year. These are the largest aircraft deals China has concluded in the country's 35-year history.

China is modernizing its civil air fleet by introducing the new passenger jetliners and retiring from service 15 out-of-date planes within this year.

The new airliners which will go into service this year include Boeing 737-200s, Airbus A310s, and TU-154Ms.

The new planes will relieve strains on air routes between Beijing, Shanghai, Guangzhou, Fuzhou, Xiamen, Chongqing and Xian and increase air services to these cities.

An official of the Civil Aviation Administration of China (CAAC) told XINHUA in an exclusive interview today that more jetliners and advanced telecommunication and radar navigation facilities would go into service in 1986.

He said, "CAAC's major tasks at present are updating the air fleet, ensuring flying safety and improving the quality of service." He revealed that the Chinese Government has decided to increase investment to modernize its civil air fleet."

The aircraft deals included seven 737-200 jetliners with a capacity of 120 passengers from the U.S. Boeing Company, nine TU-154Ms three-engine 160-seat aircraft from Aviaexport of the Soviet Union and three wide-bodied A310s from European Airbus Industrie.

Most of the passenger planes used by China's national flag carrier, CAAC, during the 1950s and 1960s came from the Soviet Union. During the 1970s, China bought 35 Trident aircraft from Britain, and more than 30 jetliners from the Boeing Company and McDonnell Douglas Corporation of the U.S., including five Boeing 747s.

China has manufactured a number of medium and short range civil transports including the YUN-7, YUN-8 and YUN-12.

In order to have civil air services keep pace with the rapid development of the national economy, the Chinese Government has decided to decentralize CAAC and separate its government functions from business management. Five new international and domestic airline companies will be set up and a number of new local airline companies will also be established.

This will intensify competition, and bring about better service. It will also tend to accelerate the development of China's civil aviation business.

An official in charge of aircraft purchasing said that China needs modern aircraft that will suit the needs of the country. Fair prices are also a consideration of purchase.

China's aviation industry is making an effort to design and manufacture its own jetliners. At the same time negotiations with foreign aircraft manufacturers are in progress for co-production in Shanghai and Shenzhen.

CSO: 4020/100

8

TRANSPORTATION

BRIEFS

XIAMEN AIRLINE SERVICES--The Xiamen Airline Corporation, China's first regional airline company, successfully inaugurated flights to Beijing and Guangzhou on 5 January. The company is a comprehensive, jointly operated regional air transport enterprise which keeps independent accounts and is responsible for its own profits and losses. [Text] [Beijing Domestic Service in Mandarin 1200 GMT 5 Jan 85 OW]

HIGHWAY TRANSPORT ACHIEVEMENTS--China overfulfilled its highway passenger transport plan by 7.7 percent in 1984, with its highways handling 643 million metric tons of cargo, 1.7 percent more than the planned target for the year. [Summary] [Beijing Domestic Service in Mandarin 0200 GMT 12 Jan 85 OW]

LIAONING HIGHWAY CONSTRUCTION PLAN--Liaoning Province decided to increase the province's total highway mileage from 30,000 kilometers at present to 50,000 kilometers during the seventh 5-year plan period. During the seventh 5-year plan period, the Shenyang-Dalian and Shenyang-Fushun expressways will be built and 95 percent of the rural areas will have highways. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 26 Jan 85 SK]

THREE AIRBUSES PURCHASED--Beijing, 26 Jan (XINHUA)--China has purchased three airbus A310 planes as part of the effort to renew its civil air fleet, a trade official said here today. This is the first deal the airbus has ever concluded in China. But, the official declined to say how much money the deal involved. He said an official ceremony for signing the contract initialed here last week would be held in March. The wide-body twin-jet planes each seating 210 to 280 passengers will be based in Shanghai. Two of them will be delivered in June and the third will arrive next year. An A310 made demonstration flights in Beijing, Shanghai and Guangzhou in October 1983. Airbus Industrie is continuing its efforts to get China to buy four or five more planes from it. [Text] [Beijing XINHUA in English 0744 GMT 26 Jan 85 OW]

CSO: 4020/100

TAIWAN

#### ECONOMIC PERFORMANCE SURPASSING ALL EXPECTATIONS

OW191235 Taipei CNA in English 1030 GMT 19 Dec 84

[Text] Taipei, 19 Dec (CNA)--The economy has done unexpectedly well this year, surpassing all expectations of government officials and economists. When the year ends, the growth rate will reach 10.8 percent, much higher than 7.5 percent forecast early this year. It is the only double digit growth in the world too.

Commodity prices have remained stable. Government officials predicted a 4 percent rise. The rate of inflation was minus 0.08 percent. Again the Republic of China is the only country that has seen prices go down. There have been a few factors that were likely to push the prices up, but they did not. Pay raise of government employees, hike in taxi and rail fares, and a large money supply were feared to push the prices up. The fact is they did not.

An economist said people have not had it so good this year. The money or real estates they have are worth what they are. There is no fear of money shrinking. Under these circumstances, enterprises could not raise prices to make profit. They have to lower their production cost, raise productivity, and automation if they want a profit.

There are, however, quite a number of business failures. Economics Ministry officials say that enterprises that fail to change as the industrial structure changes are doomed to failure.

Unemployment rate was 2.45 percent as of the end of September, a light increase from July and August. But it was still lower than most other countries, except Thailand. The jobless rate was 7.6 percent in the United States, 2.8 percent in Japan, 3.9 percent in Korea, 3.2 percent in Singapore, and 12.7 percent in Britain.

Economics Ministry officials say the age of high growth and high inflation is over. The eighties will be an age of medium growth and low inflation.

CSO: 4020/102

TAIWAN

ECONOMIC PLANNERS PREDICT 8.5 PERCENT GROWTH RATE

OW190321 Taipei CNA in English 0244 GMT 19 Dec 84

[Text] Taipei, 18 Dec (CNA)--The Council for Economic Planning and Development has set the nation's economic growth rate for next year at 8.5 percent in real terms, compared with this year's 10.8 percent.

The council will make a finishing touch on economic projects for 1985 at a meeting Wednesday. These projects, following the Executive Yuan's approval, will serve as the guidelines for the nation's economic development next year.

The nation's highest economic planning body said Tuesday that this nation's economy is export-oriented, with the United States as its biggest foreign trade partner. Sluggish growth of the U.S. economy, beginning in the second quarter of this year has had some impact on the economy of the Republic of China, it added.

To reach the 8.5 percent growth rate next year, the council noted, efforts will have to be made to expand foreign trade, particularly with the U.S.

Other major targets for the ROC economic growth and development in 1985 include:

- Wholesale prices, 2.5 percent;
- Civilian consumption, 8.4 percent in real terms;
- Government spending, 6.2 percent;
- Fixed investments by the private sector, 14 percent;
- Fixed investments by the government and public-run businesses, 6 percent;
- Exported goods and services, 9.9 percent;
- Imported goods and services, 16.2 percent;
- Trade surplus (at 1985 currency value), U.S. dollar 6.8 billion.

CSO: 4020/102

TAIWAN

BRIEFS

CHEMICAL IMPORT BANNED--The Republic of China's Industrial Development Bureau [IDB] has banned the import of methyl isocyanate, a deadly chemical used to make pesticides. In the meantime, the IDB has notified the six pesticide manufacturers in this country to improve their factory safety inspection, or the IDB will suspend their factory licenses. Last December, over 3,500 were killed in an industrial disaster at a Union Carbide plant in India when the poisonous gas escaped from a tank. In the wake of that catastrophe, the IDB made a thorough safety inspection on the six pesticide factories here and found that some of the plants have failed to install safety devices and all of them are negligent in waste disposal. [Excerpt] [Taipei CNA in English 0248 GMT 1 Feb 85 OW]

GOVERNMENT ANTICOUNTERFEITING CAMPAIGN--Taipei, 31 Jan (CNA)--The Anticounterfeiting Commission under the Board of Foreign Trade [BOFT] handled a total of 521 cases of counterfeiting in 1984. Local security agencies also looked into another 334 cases of alleged counterfeiting in the same year. According to statistics compiled by BOFT, there were 26.1 cases of counterfeiting disposed of in 1982. The number increased to 344 in 1983 and reached 521 last year. Police handled 268 cases of alleged counterfeiting in 1983. They increased to 334 last year. This indicates that the Government of the Republic of China is vigorously pushing ahead the anticounterfeiting campaign, an official with BOFT said. The statistics show that among the 521 cases counterfeiting handled in 1984, 42 cases were concerned with trade mark violation, 72 with infringement of copyrights and 25 with violation of patent rights. The official said BOFT is actively setting up ties with international anticounterfeiting organizations to correct the misunderstandings of foreign countries about this nation. [Text] [Taipei CNA in English 0232 GMT 1 Feb 85 OW]

TV EXPORTS TO FRG--Because of efforts by the government and private sectors, Taiwan has obtained the authorization from Telefunken company of West Germany to produce PAL-SYSTEM color television sets for sales in continental Europe under a yearly contract. The West German company has set a preliminary quota of 260,000 color television sets a year for various plants in Taiwan. Taiwan is expected to export this number of color television sets to continental Europe next year. [Summary] [Taipei CHING CHI JIH PAO in Chinese 12 Dec 84 p 1 OW]

FRENCH AUTO PARTS MAKER--Taipei, 14 Dec (CNA)--Chausson Auto Tooling design corp, a renowned maker of automobile parts in France has recently expressed its interest in cooperating with Chinese manufacturers to produce high quality components in this nation, an official with the Ministry of Economic Affairs [MOEA] says. Shih Tsu-yi, chief of the factory automation services group under the MOEA, says that his ministry is now actively mediating between the two sides for the realization of the plan. Chausson is one of the biggest car tools designers in Europe. Its products are widely used by some famous auto makers such as Renault of France and General Motors Corp of the United States. Shih indicated that he believes the Sino-French cooperation, if it is realized, would contribute greatly to upgrading the ROC's technical level in auto parts making within two years. The nation's auto parts makers have to be far-sighted in operating their business, and if they are, "our competitiveness in international markets can be highly lifted," he says. Shih stresses that the nation has great potential for development of the auto parts industry, adding that many industrialized nations such as Japan and the U.S. share the common view that Taiwan will become one of the world's major auto parts suppliers in the near future. [Text] [Taipei CNA in English 0246 GMT 15 Dec 84 OW]

CSO: 4020/102

HONG KONG MEDIA ON CHINA

CHINA'S NEW WAGE REFORMS DISCUSSED

Hong Kong CHING PAO [THE MIRROR MONTHLY] in Chinese No 11, 10 Nov 84 pp 26-27

[Article: "The Mainland's New Wage Reform Plan"]

[Text] The "Resolution Concerning Reforms of the Economic System" that was passed by the Third Plenum of the 12th CPC Central Committee illustrates that the Chinese authorities desire to accelerate the pace of reforms, based on results achieved in rural reforms, spur on a reform of the entire economic system with an emphasis upon cities, thoroughly change enterprise management that does not differentiate between good and bad and allows workers to do as much or little work as they please, and create a system whereby neither enterprises nor workers will eat out of the same big pot. Deng Xiaoping say this change is "revolutionary" and predicts that in 3 to 5 years the cities will have the same "earth-shaking changes" as in the countryside.

So what is the attitude of mainlanders, and urban workers and townspeople in particular, toward these reforms? While attending a trade show in Guangdong at the end of October, this reporter asked several cadres engaged in economic management about the matter. According to them, less than 6 years following implementation of the contract responsibility system in the countryside, peasants began to get rich in great numbers. This phenomenon, unheard of in the last 30 years, jolted the cities; workers avidly longed for the day when they would be as rich as the peasants. However, reform of the cities is more complicated than that of the countryside. A reform of the price system touches each and every household and it is hard for workers who have become accustomed to eating from the same big pot not to be worried before seeing actual results of the reform.

Panic Purchasing

"What are the people worried about after all?" According to Cadre T, city dwellers are generally worried that price fluctuations will engender inflation. Such a worry can quickly become reality. From mid-October until the Third Plenum, the people paid particular attention to the session's "resolution." Once news was circulated that the reform would touch upon the urban goods, markets and price system so closely linked to townspeople's lives, they discovered that as of next year, the 120 or so varieties of industrial goods now governed in a directed manner by the State Planning Commission will be reduced to approximately 60. The current 29 varieties of state purchase

plan agricultural and sideline agricultural products will be cut down to about 10. Industrial and agricultural goods not governed by the Planning Commission will be entirely market-regulated. Permitting price fluctuations has created a fear that the price of goods will climb. Rumors say that this will bring inflation so there has been a buying spree in some cities. When Beijing caught wind of this, many city residents withdrew money from the bank and ran to grain stores to buy up rice and flour. Clothing, cloth and everyday goods were also sought out by the urbanites. In the past year chicken eggs that were formerly always unsalable have been in great demand. The market atmosphere is tense. The same thing happened in Shanghai. It has been said that because of this the top levels of leadership in the CPC directed that "supplies are to be guaranteed." Financial and trade departments are promptly organizing their stocks to ensure supplies. There are no restrictions on amounts that can be purchased so as to ease the tense atmosphere that lasted more than 10 days and have markets return to normal.

Mr E continued. According to him, the panic-buying spree in Guangzhou is rather peculiar. Urbanites there want to buy four things: gold jewelry, foreign currency, large high-quality goods and stocks. The cause of the spree is that many people want to maintain the value of their purchases because they are worried that wages and prices will rise and RMB will "shrink" following the urban reforms. A few people want to seize the opportunity and speculate and profiteer or earn exorbitant profits. In less than 1 week during mid-October, gold and silver jewelry was sold out in jewelry stores in the city proper of Guangzhou; only some jade things were left. The stock-buying spree was also extraordinary. Both public and private stocks were subscribed for without advertisement. They felt that: one, stocks maintained their original value; two, interest was higher than in savings banks; and three, there are yearend dividends to spend. A buying spree on large high-quality goods has rarely been seen these last few years. The concerned authorities did not interfere with purchases of these three "commodities." Public security organs only came out to put a stop to the buying spree of foreign currency; that was strictly prohibited.

#### The New Wage Reform Plan

Hearing Messrs T and E discuss urbanites' worries about inflation and panic buying, this reporter felt that their worries were understandable, for the reform is a fundamental one that affects everyone. After the reform it is estimated that approximately 75 percent of the goods nationwide will no longer be price controlled and will be allowed to fluctuate according to market demand. A certain amount of price rises will naturally occur. Furthermore, subsidies that have been in effect for more than 30 years on approximately 50 percent of all goods will be eliminated. Thus, city workers' real income is bound to fall, so how can they not be all the more concerned! Haven't the authorities considered an overall raise in workers' wages?

Several cadres had the same affirmative answer to this question. According to them, while the CPC authorities were drafting the "resolution" of the reform, they also drafted a preliminary wage reform plan for urban workers and cadres, deciding to have a trial run next year in Guangzhou and 10 other cities, beginning with Shenzhen. Mr L revealed some specifics. The new wage reform draft has four parts.

One, concerning basic wages and salaries: (1) There are 13 levels of party political cadres, ranging from office workers to mayors. Wages at the lowest level are 62 or 80 yuan (RMB, below also). Those who earn 62 yuan have a subsidy withheld for public health services and rent; those earning 80 yuan are not subsidized for anything other than health services and rent. The highest levels of wages (no details). (2) There are 8 or 10 wage levels for workers (including industrial, construction, communications, commercial and service workers). Monthly salaries range from 55 to 150 yuan. Subsidies compare to those of party and political cadres.

Two, annual wages are reckoned according to seniority, by 1 or 2 yuan per year (varies). By this system, 2 years of service means 2 or 4 yuan.

Three, there are 13 levels of job subsidies, ranging from general jobs (e.g., section chief) to high government posts (e.g., premier). The lowest monthly subsidy is 60 yuan and the highest could be 300. Job subsidies are lost when unemployed. For example, a premier collects a premier's subsidy while on the job but loses it when out of office.

Four, bonuses are recommended and granted by individual enterprises.

The wages of cadres who are retired or on leaves of absence will be readjusted according to the new draft.

According to the new wage system, an annual salary will be added to the monthly series and basic wages of party and political cadres. Those employed will get job subsidies. An annual salary will be added to laborers' monthly salaries and basic wages. Those employed will get job subsidies and those who surpass their work quotas will get bonuses.

Following implementation of the new wage system, it is estimated from the relevant data that the wages of cadres and workers will generally increase 60 percent and individual increases may be 100 percent or higher.

According to Mr L, many people in some units in Guangzhou proceeded to calculate their gross monthly wages upon hearing of the new wage reform draft. Some even pondered how to get job subsidies or greater bonuses. However, there were many comments on how to assess the basic wage grades. There was a general worry that there would be a return to the unyielding situation or vying for position of a few years ago when wages were assessed. The people hope that a rational assessment can be made.

#### Can Inflation Be Avoided?

The peoples' worries about price increases can be alleviated to some extent after the new wage system is practiced in the 10 large test cities, but what about those cities where it is not tried out? In other words, won't the rising prices and wages bring about a vicious circle of inflation?

Several cadres indicated that we still do not know the answer to the first question but they believe that the authorities will have appropriate measures for

solving it. As to the second question, Mr T's own opinion is that after the reform is implemented, inflation is a possibility, as prices on a certain number of goods will be allowed to fluctuate according to demand and some profitmaking enterprises will have authority to distribute higher wages. In societies with free economies such things are often uncontrollable and start a vicious cycle of inflation and crises. However, China considered how to avoid this problem when it decided on an overall reform. Thus, the state will still carry out production in a directed way for those production materials and daily goods related to the national economy and the people's standard of living, such as grain, oil, live pigs, petroleum, coal, electric energy production and chemical fertilizers. This will allow the state to maintain more means of dealing with inflation. Additionally, it can utilize monetary, market and tax policies as well as administrative and legal measures to regulate the economy from a macroeconomic angle and plan ways of avoiding vicious cycles. However, Mr L feels that since this is an overall reform of a fundamental nature, resistance will be great and success will not be easy to achieve.

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CSO: 4006/107

HONG KONG MEDIA ON CHINA

CHINA HIRES FIRST FOREIGN FACTORY HEAD

Hong Kong TA KUNG PAO in Chinese 11 Nov 84 p 1

[Article: "Wuhan Government Sets Precedent by Asking West German Specialist To Be Factory Head; He Will Have Some Authority as Chinese To Give Bonuses and Punish Lazy Workers"]

[Text] The Wuhan government in the capital of Hubei Province decided to invite a retired diesel engine manufacturing and management specialist from the FRG to head the Wuhan Diesel Engine Works. Specialist (Gelixi) [Ge-li-xi (phonetic)] has been to the factory and will shortly assume his post, giving a speech concerning the factory's management policies in a meeting with all of the workers.

(Gelixi), who is 64 years old, attended college and served as a factory head. He believes that the technology and equipment in this factory are equivalent to that of the FDR in 1975. The workers have a definite technical level and it is only the management practices that are backward.

The Wuhan city government bestowed on (Gelixi) the same authority limits as those of a Chinese factory head concerning arrangements for production, improving product quality and coming out with new products. At the same time they gave him jurisdiction over bonuses and penalties (including giving "red envelope" [monetary] bonuses, work stations and even firing certain workers). The Chinese factory head will mainly act as his assistant, responsible for providing him with information, assisting him in organizational management work and studying his scientific management experience. The factory's party committee will handle extensive and meticulous ideological work and ensure the smooth progress of (Gelixi)'s work.

This is the first foreign factory head in China. It is reported that the re-tired foreign specialist can directly utilize foreign methods in the personnel, wage, bonus, production management systems and production management to reform the management of the enterprise and provide new experience. He can also utilize the advanced techniques of foreign specialists and their well-informed sources to raise product quality and improve the competitiveness of goods on the international market.

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CSO: 4006/107

HONG KONG ON MEDIA ON CHINA

HANGZHOU REPORTED TO BECOME MAJOR TOURIST CITY

Hong Kong WEI WEN PO in Chinese 13 Nov 84 p 4

[Article: "Interviewed Study Group Yesterday Said Hangzhou Authorized To Become Large Top World-Class Tourist Site; All Large Investments Can Be Locally Approved"]

[Text] In a reception for reporters yesterday with the Hangzhou Economic and Tourism Study Group, Li Dexin [0632 1795 7451], secretary of the Hangzhou municipal CPC committee, said that "the State Council approved Hangzhou's request to reform and become an open city, including making Hangzhou into the tourist center of southeastern China and a top world-class scenic area. At the same time it also approved Hangzhou's authority to expand economic development and in certain areas gave it provincial-level management functions."

Li Dexin said that although Hangzhou is not a coastal port city nor special economic zone, the State Council nonetheless gave Hangzhou authority to examine and approve foreign investments to construct projects of a production nature for which total investments are less than \$5 million.

Hangzhou can examine and approve on its own foreign investment projects to construct tourism facilities regardless of the amount of investment and it has examination and approval rights over sending people abroad to study and observe, do advanced studies, carry out negotiations and travel. The goal of their study trip to Hong Kong is to broaden horizons, make lots of new friends and create good conditions and the right atmosphere for Hangzhou's cooperation with Hong Kong. Members of the group included the municipal CPC committee secretary and vice secretary, the chairman of the municipal government's coordinating committee, the vice mayor, and general managers and managers of economic development and travel companies. From another point of view, organizing such an authoritative study group reflects their sincerity and good faith.

Li Dexin continued. They would like to accomplish three things on this Hong Kong visit.

1. They Would Like to Consult Hong Kong's Tourism Circles About the Development of Hangzhou's Tourism Facilities.

Turning Hangzhou into the tourist center of southeastern China and a top, world class scenic tourist city is a heavy responsibility. The scenery at Hangzhou's West Lake is beautiful and distinctive. The city is one of China's six ancient capitals so it has many historical relics. The seven counties under city jurisdiction contain extraordinary mountains and waters, stone forests, deep caves, streams, springs and historic sites. Surrounding Hangzhou there is the Qiantang Jiang, Fuchun Jiang and Xin'an Jiang Rivers to the west, near the Huangshan and Jinhuashan mountains in Auhua Province. To the north it borders the Grand Canal, that goes straight on to Souzhou, Wuxi, Changzhou and Yangzhou. Not far to the southeast is the old town of Shaoxing, then on to Ningbo, Putuoshan, Hangzhou's Lingyin and Jingsi temples, Ningbo's Tiantong and Ayuwang temples, Zhoushan's Pujing and Tiantai Guoqing temples; all are undeveloped Buddhist tourism areas. One can reach western and southern Zhejiang to the southwest and the famous mountains and large bodies of water in northern Fujian. The natural and manmade landscapes are unique and the tourism resources abundant in this area. There are bright prospects and it is well worth developing tourism here.

Hangzhou's rich scenic resources and superlative tourism environment exert a powerful attraction upon Chinese and foreign tourists. In 1983 there were more than twice the number of foreign tourists in 1979. It is estimated that this year there will be 186,000 foreign tourists, 65 percent of whom will be from Hong Kong and Macao. This is an increase of more than 15 percent over the same period last year. More than 1 million Chinese tourists annually visit the area. The future momentum for development will be even greater.

The problem facing Hangzhou's tourism industry is that, on the one hand, it has ample resources and broad prospects but, on the other hand, its facilities are backward and it lacks experience. On this trip to Hong Kong, it is hoped that means of cooperation can be discussed with the Hong Kong tourism world, including cooperation to develop tourism resources, build tourist facilities and manage tourism enterprises. At the same time people from Hong Kong's tourist circles are also invited to visit Hangzhou, see its resources and jointly cooperate on a development scheme.

## 2. To Consult with Hong Kong Businessmen Regarding the Development of Hangzhou's Economy.

Not only are Hangzhou's tourism resources ample, but it also has a suitable economic and cultural base. This is particularly true of industry. There are 128 trades, 210 categories of goods, more than 4,100 household enterprises, and many local products enjoy a definite reputation in China and abroad. The gross value of industrial output in 1983 was 830 million yuan, almost one-third of the entire province of Zhejiang. Compared to the national industry in the 26 rather developed large and medium cities, it ranked fourth and second, in terms of output value and tax revenue per 100 yuan of capital, respectively.

Three main emphases for economic development have been determined for the city. One, reform old enterprises. Two, open up new areas and develop burgeoning trades. Three, develop agriculture and the economy, stressing mericulture.

Hangzhou has a pretty good base for developing its economy and a decent investment environment. There is a lot of leeway for developing Hangzhou's economy and the market is wide open. Currently, the outstanding problems are a lack of funds, technology and experience. It is hoped that ways of cooperation can be discussed with Hong Kong businessmen after study and observation. Hangzhou's environment is good and markets are large so it is believed that Hong Kong businessmen will not ignore this, for it is certain that there will be a large volume of business from good cooperation.

Three, Hong Kong Journalists Are Invited to Tour, Get to Know and Publicize Hangzhou.

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HONG KONG MEDIA ON CHINA

PROBLEMS FOR PRC IN DEVELOPING STOCK MARKET

HK310535 Hong Kong HONG KONG STANDARD in English 31 Dec 84 BUSINESS STANDARD p 1

[By Patrick Tang]

[Text] Prospects of China establishing a well-developed stock market--the venerable capitalist institution--before 1997 are dim, according to Mr Ronald Li, chairman of the Far East Stock Exchange.

Li said in an interview that a well-developed stock market needed efficient commercial infrastructure and good turnover which was not possible with small public saving rate. On both scores, China still had a long way to go, he said.

His comments follows recent reports that Chinese economists want a stock exchange set up in Shanghai, the country's traditional finance center, and its Special Economic Zones.

In June, chairman of the Hong Kong Stockbrokers Association, Mr Sung Ng, on his return from a trip to Beijing, had said that China is contemplating the setting up of stock exchanges in its Special Economic Zones. He said the proposal to set up stock exchanges was made by his association.

China, which has had no exchange since the communist takeover in 1949, is now encouraging the expansion of private and collective enterprises. It is felt stock exchanges will facilitate raising the necessary capital to finance these businesses without using the government funds.

Li said the chief factor in having a stock market with high turnover is public savings. People should have enough spare money to invest in stocks. And even if people in China have spare money, the question is whether they are free to use their savings.

Another requirement of a well-developed stock market is an efficient commercial infrastructure. But China's communications network, banking system, legal services, accounting and auditing services and other technical services are far behind the standards an international financial center demands.

Li said it will also take considerable time to educate the people in China on the operations of the stock market. Most people have poor knowledge of a stock market. Some even have never heard about it.

It is also difficult to attract foreign investment in the present conditions. Foreign exchange controls are still operating in China, even in Special Economic Zones.

Li said the country's priorities are different. It is mainly interested in developing industries and not a financial center.

Towards this goal, China wants to import foreign technology. Many international banking institutions planning to enter China are most probably interested in providing project finance and trade finance.

Li pointed out that the banking system in China is unable to support a well-developed stock market.

Only this month, for the first time since 1949, the Chinese Government has allowed the Shanghai branch offices of our foreign banks--the Hong Kong Bank, the Chartered Bank, the Bank of East Asia and Hua Chiao Commercial Bank--to accept foreign currency deposits and offer loans at their own interest rates.

In addition, these four banks can also accept renminbi savings deposits at an interest rate the Bank of China offers. The Bank of China in Shanghai offers only one per cent interest on savings deposits.

These four banks had set up their offices in Shanghai over 35 years ago. They were permitted to retain their Shanghai offices after the communist takeover.

Li said over these years, the four banks could only handle overseas trade finance and foreign currencies remittance.

At present about 60 international banking institutions has representative offices in Beijing, but they are not permitted to open branch offices to engage in general banking business.

If China wishes to establish a well-developed stock market, the government must take these factors into account, Li said.

CSO: 4020/104

HONG KONG ECONOMIC TRENDS

**PRC BANK TO OPEN 10 MORE BRANCHES OVER 2 YEARS**

HK310533 Hong Kong SOUTH CHINA MORNING POST in English 31 Dec 84 Business New Supplement p 1

[Text] Sin Hua Trust, Savings and Commercial Bank Ltd, a sister bank of the Bank of China (BOC), plans to open 10 more branches in Hong Kong in the next two years.

Its director, Mr Nelson Tsao, said the number of branches on both sides of the harbor will be 50 by 1986.

He said the bank is also considering forming two or three joint ventures with local businessmen to invest in China.

"We are still studying our plans for the joint ventures," he said.

So far the bank has invested about \$500 million in China through loans and joint ventures, he said.

Sin Hua Bank, China's first savings bank, celebrated its 70th anniversary in Hong Kong on Friday.

Mr Tsao said one of the major jobs for the bank next year will be to assist in the technical renovation of China's backward industrial enterprises.

He said the bank, through its joint venture securities firm, will help Chinese state enterprises go public.

Sin Hua and Po Sang Bank, another BOC sister bank, jointly formed the Chung Mao Securities Ltd earlier this year.

It was viewed as a bold move for China to diversify its interests and to familiarize itself with the stock exchange mechanism.

He believes industrial enterprises will be among the first Chinese firms to go public in Hong Kong.

"And Chung Mao might become their underwriter," he said, adding that there has not been any definite plan for Chinese enterprises to go public.

In addition, Mr Tsao said, China's open-door policy has brought in more loan and finance opportunities to Hong Kong banks.

He is confident that China will maintain its open-door policy and that inland cities, like the coastal cities, will also be opened to investors.

CSO: 4020/103

HONG KONG ECONOMIC TRENDS

CONSULS, BUSINESSMEN CONFIDENT IN HONG KONG

OW231126 Beijing XINHUA Domestic Service in Chinese 1701 GMT 20 Dec 84

[Text] Hong Kong, 20 Dec (XINHUA)--Following the signing of the Sino-British joint declaration on the Hong Kong issue, foreign consuls and businessmen in Hong Kong have expressed their confidence in Hong Kong's future development and have indicated their intention to increase investments in Hong Kong

(Jia Daoli), president of the British-financed Chinese Electric Power Company, said that the signing of the joint declaration reminds the people of Hong Kong that they have a duty to do their best to help the British and Chinese Governments in their efforts to preserve Hong Kong's prosperity. (Mai Lijue), executive director of the Hong Kong Chamber of Commerce, said that, although the signing ceremony was a simple one, it marked the end of colonial influence in Hong Kong and provided its citizens with a solid foundation for future development, because the joint declaration has freed them from doubts about making a long-range investment in Hong Kong. Lei Xingwu, general manager of the Huifeng Bank, noted that the signing of the Sino-British joint declaration will bring about an upturn in the real estate industry and that Hong Kong's economic growth will further stimulate the development of the banking business.

In a talk with XINHUA reporters, American General Consul in Hong Kong Levin said today that the Sino-British accord itself, as well as the warm welcome accorded to British Prime Minister Mrs Thatcher during his visit to China, Chinese Premier Zhao Ziyang's decision to visit Britain, and the upcoming visit to China by the Queen of England are favorable conditions for Hong Kong's smooth transition to 1997. He added that the preservation of Hong Kong's stability and prosperity is closely linked to the interests of the United States. The United States ranks first in investment in Hong Kong. This year the volume of U.S. exports to and imports from Hong Kong has exceeded all previous years. This shows that the United States is full of confidence in Hong Kong's future.

In talking to the press, the consuls of Switzerland, the Netherlands, and other countries in Hong Kong said that they were glad to see the successful resolution of the Hong Kong issue. They stressed that foreign businessmen would continue to increase their investments in Hong Kong.

HONG KONG ECONOMIC TRENDS

BRIEFS

HONG KONG SILK COMPANY--Hong Kong, 28 Dec (XINHUA)--A new company to handle exports to Hong Kong from the China National Silk Corporation and its branches will open for business here on Tuesday. The China Resources Silk Co Ltd will handle the silk interests of Chinese provinces and municipalities in Hong Kong, said General Manager Yu Lianjia at a reception on Thursday. A subsidiary of the China Resources (Holdings) Co Ltd in Hong Kong, the new firm will also handle business of processing with imported materials, conduct compensation trade and joint production deals with overseas firms. It will also import new technology and equipment to boost China's silk industry and expand exports, Yu said. The company will take over all business from the China Resources Textiles Co Ltd in Hong Kong, and will be responsible for all contracts signed by the latter, as well as its financial affairs. In addition, it will begin to manage China's imports of chemical fibers in 1986, which are now handled by the China National Silk Corporation. [Text] [Beijing XINHUA in English 0903 GMT 28 Dec 84 OW]

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